

SUBJECT: Inclusionary Zoning Status Update and Direction

File Number ACS2022-PIE-EDP-0013

**Report to the joint meeting of Community and Protective Services Committee and
Planning Committee on 16 June 2022**

and Council 22 June 2022

**Submitted on June 7, 2022 by Don Herweyer, Director, Economic Development
and Long Range Planning, Planning, Real Estate and Economic Development
Department**

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Ward: Citywide

OBJET : Compte rendu de situation et orientation du zonage d'inclusion

Dossier : ACS2022-PIE-EDP-0013

**Rapport à la réunion conjointe du Comité des services communautaires et de
protection et Comité de l'urbanisme le 16 juin 2022**

et au Conseil le 13 juillet 2022

**Soumis le 7 juin 2022 par Don Herweyer, Directeur, Développement économique
et Planification à long terme, Direction générale de la planification, de l'immobilier
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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the joint Community and Protective Services Committee and Planning Committee recommend that Council receive the Report on the status of inclusionary zoning and Document 1 – Framework and Guiding Principles for Inclusionary Zoning in Ottawa, and direct staff to move forward with further study, Official Plan and Zoning By-law amendments, and an implementation strategy to introduce inclusionary zoning in 2023.

RECOMMANDATION DU RAPPORT

Que le Comité des services communautaires et de protection et le Comité de l'urbanisme recommande que le Conseil municipal reçoive le rapport sur l'état du zonage d'inclusion, ainsi que le document 1 – Structure cadre et principes directeurs du zonage d'inclusion à Ottawa, et demande au personnel de la Ville d'enchaîner avec une nouvelle étude, les modifications du Plan officiel et du Règlement de zonage, ainsi qu'une stratégie de mise en œuvre afin d'instituer le zonage d'inclusion en 2023.

EXECUTIVE SUMMARY

The City declared an Affordable Housing and Homelessness Crisis and Emergency on January 29, 2020. With direction from the new Official Plan to pursue Inclusionary Zoning “as a priority measure”, this report provides an update from staff on the status of implementing inclusionary zoning in Ottawa and seeks direction on how to proceed.

Inclusionary zoning (IZ) is a land-use planning tool that allows municipalities to require new developments in Protected Major Transit Station Areas (PMTSAs) and lands subject to Community Planning Permit Systems to include affordable units. Once implemented through an Official Plan and Zoning By-law amendments, inclusionary zoning is intended to ensure that a steady stream of new affordable units are established close to transit. The principal objective of IZ is to add units to the housing market that are affordable to moderate income households.

To implement inclusionary zoning, the *Planning Act* requires:

- That lands eligible for Inclusionary Zoning be designated in the Official Plan;
- An “assessment report” outlining the Ottawa housing market and feasibility of various inclusionary zoning options be completed and reviewed by a third party;

- Official Plan policies authorizing the use of inclusionary zoning and setting certain parameters;
- Zoning By-law regulations implementing Inclusionary zoning; and
- Regular reporting (at least every two years) and regular updates of the assessment report (at least every five years) referred to above.

In addition to the above, an administration and implementation strategy will be necessary.

The new Official Plan designates 26 PMTSAs in Schedule C1; once approved by the Minister of Municipal Affairs and Housing, inclusionary zoning can be implemented in those areas. A draft assessment report is currently being reviewed by a third party. Once the review has been completed and the report is finalized, the assessment report and third party review will be available to the public on Ottawa.ca. Official Plan and Zoning By-law amendments would return to Council in 2023, assuming a timely approval of the new Official Plan by the Minister.

Following a transition period, staff propose up to 10% of building area to be set aside as affordable housing across all PMTSAs. Staff will then retain a consultant to undertake market analyses specific to all 26 PMTSAs. When the City is required to update its assessment report after five years, or sooner at Council's request, staff will include new recommended rates for each PMTSA based on those analyses. Staff anticipate that several PMTSAs will see increased set-aside rates, while others will stay the same or even reduce. Where rates are increased, an additional transition period may be recommended.

As with any major policy change, the real estate market has a corresponding reaction. Staff recommend at least a one-year transition period to allow land prices to adjust to the new inclusionary zoning requirements. A transition contributes to inclusionary zoning feasibility.

Public Consultation/Input

To date, staff and the retained consultant have engaged with internal stakeholders, external industry and development professionals, key stakeholders and the Affordable Housing Working Group and members of Council. The scope of targeted for-profit and non-profit engagement will be broadened to include the general public in the coming phases of the project.

RÉSUMÉ

Le 29 janvier 2020, la Ville a déclaré une crise et une situation d'urgence du logement abordable et de l'itinérance. En plus de la directive donnée dans le nouveau Plan officiel pour mettre en oeuvre « en priorité » le zonage d'inclusion, ce rapport fait état du compte rendu du personnel sur la situation de la mise en œuvre du zonage d'inclusion à Ottawa et invite le Conseil à donner des directives sur la marche à suivre.

Le zonage d'inclusion (ZI) est un outil de planification de l'aménagement du territoire qui permet aux municipalités d'obliger à construire des logements abordables dans les nouveaux projets d'aménagement réalisés dans les zones protégées des grandes stations de transport en commun (ZPGSTC) et sur les terrains soumis au Régime du permis d'aménagement communautaire. Mis en œuvre dans le cadre des modifications du Plan officiel et du *Règlement de zonage*, le ZI vise à s'assurer qu'on établit un courant constant de nouveaux logements abordables non loin des stations de transport en commun. L'objectif premier du ZI consiste à doter le marché du logement de nouvelles habitations abordables à l'intention des ménages dont les revenus sont modérés.

Pour mettre en œuvre le zonage d'inclusion, la *Loi sur l'aménagement du territoire* oblige à :

- désigner, dans le Plan officiel, les terrains admissibles au zonage d'inclusion;
- établir et faire revoir par un tiers le « rapport d'évaluation » décrivant dans leurs grandes lignes le marché du logement d'Ottawa et la viabilité de différentes options du zonage d'inclusion;
- adopter les politiques du Plan officiel autorisant le recours au zonage d'inclusion et fixant certains paramètres;
- mettre en œuvre, dans les règlements d'application du *Règlement de zonage*, le zonage d'inclusion;
- établir à intervalles réguliers des rapports (au moins une fois tous les deux ans) et des comptes rendus (au moins une fois tous les cinq ans) sur le rapport d'évaluation évoqué ci-dessus.

Outre ce qui précède, il sera nécessaire d'adopter une stratégie pour l'administration et la mise en œuvre.

Le nouveau Plan officiel désigne 26 ZPGSTC dans l'annexe C1; lorsque le ministre des Affaires municipales et du Logement aura donné son approbation, on pourra mettre en œuvre le zonage d'inclusion dans ces zones. Un tiers est en train de revoir la version provisoire du rapport d'évaluation. Lorsque cet examen sera terminé et que le rapport sera finalisé, on les diffusera à l'intention du public sur le site ottawa.ca. Les modifications du Plan officiel et du *Règlement de zonage* seront à nouveau soumises au Conseil municipal en 2023, en supposant que le ministre approuve dans les délais le nouveau Plan officiel.

Après une période de transition, le personnel propose de réserver au logement abordable, dans l'ensemble des ZPGSTC, à concurrence de 10 % de la superficie constructible. Le personnel de la Ville fera alors appel à un expert-conseil pour réaliser des analyses de marché propres aux 26 ZPGSTC. Quand la Ville sera appelée à mettre à jour son rapport d'évaluation, après un délai de cinq ans ou avant à la demande du Conseil municipal, le personnel fera état des nouveaux taux de réservation recommandés, d'après ces analyses, pour chacune des ZPGSTC. Le personnel s'attend à ce que les taux de réservation augmentent dans plusieurs ZPGSTC et à ce qu'ils restent identiques ou soient même abaissés dans d'autres ZPGSTC. Dans les cas où les taux sont appelés à augmenter, on pourra recommander une nouvelle période de transition.

Comme dans tous les cas où des changements majeurs sont apportés aux politiques, le marché immobilier réagit en conséquence. Le personnel recommande de prévoir une période de transition d'au moins un an afin de veiller à ce que les prix des terrains s'adaptent aux nouvelles exigences du zonage d'inclusion. La transition contribue à la viabilité du zonage d'inclusion.

Consultation et commentaires du public

Jusqu'à maintenant, le personnel et l'expert-conseil auquel il fait appel ont consulté les intervenants internes, les professionnels externes de l'industrie et de la promotion immobilière, les principaux intervenants, ainsi que le Groupe de travail sur le logement abordable et les membres du Conseil municipal. La consultation ciblant les organismes à but lucratif et les organismes à but non lucratif sera étendue au grand public dans les prochaines phases du projet.

BACKGROUND

In late 2016, the Province introduced “Inclusionary Zoning” (IZ) into the *Planning Act* and significantly amended same in 2019 through Bill 108, *More Homes More Choice Act, 2019*. Ontario Regulation 232/18 passed under the *Planning Act* details the requirements for the Official Plan and Zoning By-law amendments needed to implement IZ.

The City declared an Affordable Housing and Homelessness Crisis and Emergency on January 29, 2020. Since that time, Council approved the updated 10 Year Housing and Homelessness Plan on July 15, 2020 ([ACS2020-CSS-GEN-006](#)), as well as an associated workplan that would implement the 10-year plan in February 2021 ([ACS2021-CSS-GEN-0003](#)). The 10-Year Plan established targets to create between 5700 and 8500 affordable housing options (new units and housing subsidies), targeted to low-to-moderate income households. Strategies to achieve the targets include capital investment in new affordable housing development by not for profit housing partners, increasing housing subsidy programs (rent supplements and housing allowances), funding repairs to existing community housing stock, and developing policies that will create incentives for development of additional affordable housing. IZ is identified as an opportunity to add to the affordable housing stock as part of the overall fulfillment of the 10-Year Plan’s targets.

Section 4.2.5 of the new Official Plan specifically directs the City to implement IZ “as a priority measure.” The new Official Plan also designates 26 Protected Major Transit Station Areas (PMTSAs) and specifies Kanata North as a candidate for a Community Planning Permit System pilot project. For this Report, the focus will be on the 26 PMTSAs, as those will be designated immediately upon the Official Plan’s approval from the Minister.

IZ frameworks require a certain portion of new units in specified developments to be set aside as affordable, meaning some or all IZ units may be let or sold at rates that are below market value. Therefore, IZ has a direct impact on the financial viability of residential or mixed-use development and the *Planning Act* requires that such impacts be considered. The City retained the services of SHS Consulting to complete an Assessment Report to look at Ottawa’s housing market and the viability of various IZ regulations. The City also retained Dillon Consulting Inc. to conduct a peer review of the Assessment Report.

The proposed IZ framework, including the proposed transition and forthcoming review, is intended to strike a balance between maintaining development feasibility and creating a meaningful number of affordable units.

DISCUSSION

A/ Housing is Not Affordable in Ottawa

Direction from Council on Affordable Housing

When Council unanimously declared an Affordable Housing and Homelessness Crisis and Emergency on January 29, 2020, the accompanying [motion](#) illustrated the affordability gaps that exist notwithstanding substantial capital funding for affordable housing and related initiatives, such as:

- 42% of renters spend more than 30% or more of their pre-tax income to pay the median rent for local housing that is adequate, affordable and suitable
- at an average of \$1,281 for all bedroom apartment types (Canada Mortgage and Housing Corporation rental Market reports, 2018), Ottawa has the third highest rents for a major urban centre in Ontario

When the new Official Plan was considered jointly by Planning Committee and Agriculture and Rural Affairs Committee on October 14, 15, and 18, 2021 and then by Council on October 27, 2022, three motions/directions to staff were carried that directly relate to the provision of affordable housing. In preparing the proposed IZ framework and this Report, staff considered these directions and respond as follows.

Motion/Direction	Staff Response
Direction 213.1 by Councillor Fleury: Considering recent housing starts data from the Canada Mortgage and Housing Corporation shows that only one in six units built over the past five years was a rental, at a rate of only 17 per cent of all housing starts from CMCH data made available for rental, and in order to better achieve and exceed the new affordable housing	Staff's recommended IZ framework proposes that no IZ units be required in the immediate term for purpose-built rentals across the city, despite the assessment report's initial finding that 10% may be feasible in certain areas. The intention is to encourage more purpose-built rental construction. If purpose-built rentals are subject to IZ in the future, then staff proposed a 25-

<p>goals set in the new Official Plan, that Council direct staff in Planning, Real Estate and Economic Development and Community and Social Services <u>to work on options for incentives to achieve a greater rate of rental units in the city working towards a target of 25%.</u> (Emphasis added)</p>	<p>year affordability period for rental units to help ensure financial viability over time.</p>
<p>Motion 86.1 – Moved by Councillor Menard</p> <p>This motion amended the housing affordability targets in Section 4.2.2 of the New Official Plan to read as follows:</p> <p>"the City shall set a target that 20 per cent of all new residential units be affordable. Of all affordable units, 70 per cent are to be targeted to households whose needs fall within the definition of core affordability, and the remaining 30 per cent are to be targeted to households whose needs fall within the definition of market-affordability."</p>	<p>The proposed IZ framework recommends up to 10% affordable units in ownership buildings, with the potential to increase in the future as individual PMTSAs are analyzed. Based on the initial findings of the assessment report and due to the high market volatility in Ottawa, a 20% set-aside rate would not be feasible.</p> <p>As mentioned above, IZ is one of several tools available to the City to add to the affordable housing stock. IZ units will not target households within the definition of “core affordability” unless paired with compatible benefits that mitigate the impact on the development pro-forma, or which supplement a household’s rent for an IZ unit.</p>
<p>Motion 90.3 – Moved by Councillor Gower</p> <p>This motion amended the definition of “affordable” in Section 4.2 of the New Official Plan to be consistent with that in the Provincial Policy Statement, so that it now reads as follows:</p>	<p>The proposed IZ framework largely adopts this updated definition of affordability, as it applies to the moderate income households.</p> <p>As a result of this motion, staff instructed SHS Consulting to update the assessment report to distinguish income deciles for renter households</p>

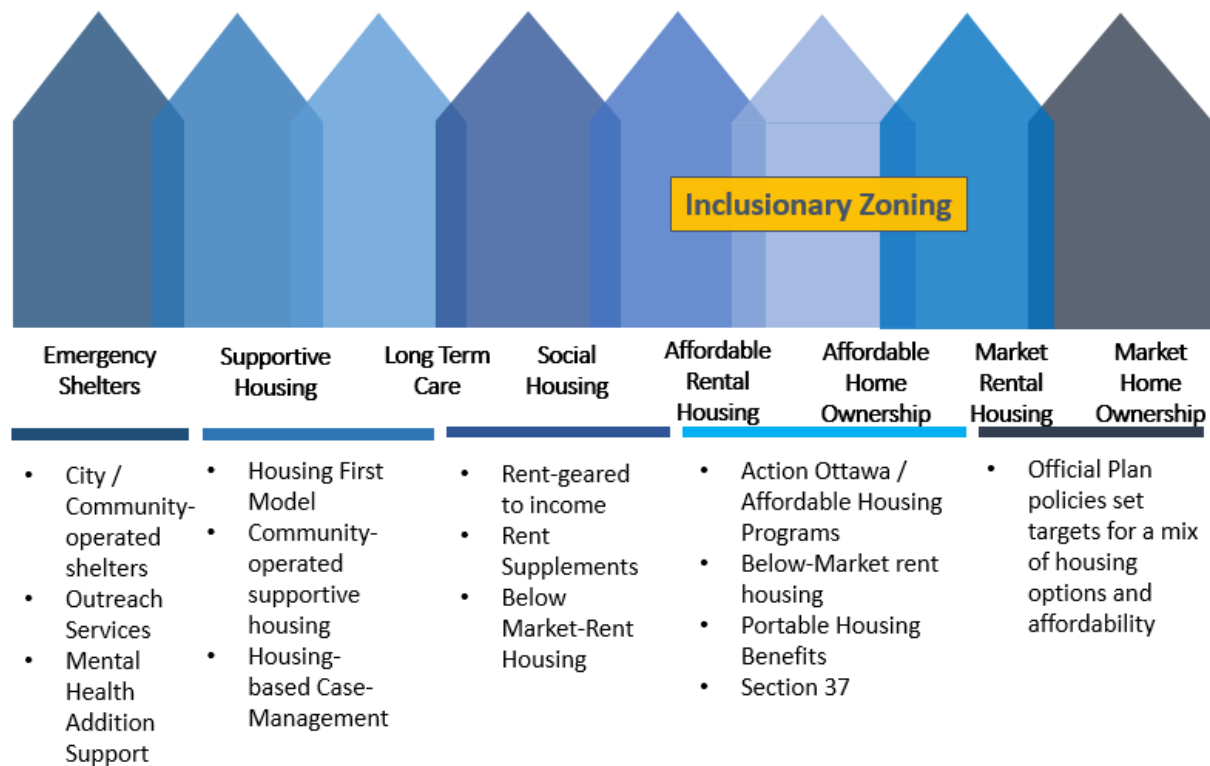
<p>“Affordable housing is defined by the Provincial Policy Statement as <u>the least expensive of</u>:</p> <ul style="list-style-type: none"> a) housing for which a low and moderate-income household pays no more than 30 per cent of the household’s gross annual income for home ownership or rental housing, or b) a unit for which the rent is at or below the average market rent of a unit in the regional market area. Low to moderate income households are those with incomes in the lowest 60 per cent of the income distribution for the regional market area. <i>In the case of ownership housing, this calculation will include households with incomes in the lowest 60 percent of the income distribution; and in the case of rental housing, this calculation will include households with incomes in the lowest 60 percent of the income distribution for renter households.”</i> 	<p>from the larger pool. The result is a more accurate capture of targeted rental households, currently being those with household incomes of \$64,456 per year or less.</p>
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Objective of Inclusionary Zoning

The principal objective of IZ is to add units to the housing market that are affordable to moderate income households. IZ is not the City’s best tool for targeting low-income households who need a deeper level of affordability unless it is supplemented by housing subsidies.

The diagram below illustrates where IZ falls along the housing continuum. The 10-Year Plan identifies Supportive Housing, Long Term Care and Social Housing as “Community

Housing” options: the rent-geared-to-income and rent supplement units account for most of the community housing portfolio in Ottawa, providing eligible residents with deeply subsidized rental units. IZ, on the other hand, falls outside of those deeply affordable options, contributing instead to the supply of affordable rental and home ownership options.



Many middle-income earners including nurses, administrative staff, tradespeople, medical assistants and other working professionals are falling through the cracks in Ottawa’s housing market – unable to afford market-priced housing but also not able to qualify for other housing subsidies. IZ is meant to target these households, so that they do not get left behind in the affordable housing discussion.

B/ What is Inclusionary Zoning?

Overview

Inclusionary zoning (IZ) is a new land-use planning tool that allows municipalities to require new developments in Protected Major Transit Station Areas (PMTSAs) and lands subject to Community Planning Permit (CPP) Systems to include affordable units.

A map of PMTSAs is attached as Document 2. The purpose of IZ is to increase the supply of affordable housing units near transit. IZ is not permitted to apply to certain categories of development, such as those with fewer than 10 residential units or those that are proposed by a non-profit housing provider.

IZ frameworks require that new residential or mixed-use developments set aside a certain percentage of units or gross floor area for rent or for sale at affordable rates: this percentage is often called the “**set-aside rate**.” Through agreements with the developer, the City ensures that the IZ units are let or sold at rates that are affordable to the target households. The tenants and owners of affordable units have the same rights and responsibilities as the other tenants and owners in the development.

It should be noted that IZ creates the units and establishes prices and procedures, but the City is neither the “landlord” nor the owner of any units.

What is “affordable”?

The proposed IZ framework adapts the understanding of affordability in the New Official Plan and Provincial Policy Statement (PPS) to moderate income households. Per Section 4.2 of the New Official Plan:

“Affordable housing is defined by the Provincial Policy Statement as the least expensive of:

- a) housing for which a low and moderate-income household pays no more than 30 per cent of the household’s gross annual income for home ownership or rental housing, or
- b) a unit for which the rent is at or below the average market rent of a unit in the regional market area.

Low to moderate income households are those with incomes in the lowest 60 per cent of the income distribution for the regional market area. In the case of ownership housing, this calculation will include households with incomes in the lowest 60 percent of the income distribution; and in the case of rental housing, this calculation will include households with incomes in the lowest 60 percent of the income distribution for renter households.”

The proposed IZ framework targets affordability for moderate income households – that is, those in the 40th to 60th income distributions. The distinction in the OP and PPS

between all households and rental households when defining those income distributions is carried forward into IZ.

The assessment report, discussed more below, calculated affordable rents and ownership prices based on this definition. In other words, the report calculated the 60th income decile based on all households in the market area and considered 30% of that income or less to be an affordable amount to own a unit. The assessment report then calculated the 60th income decile based only on rental households in the market area and considered 30% of that income or less to be affordable rent.

Therefore, “affordable” rates are determined based on Ottawa household income data and the average market values for units. Such data is subject to change with the most recent data available.

IZ units are proposed to be priced no greater than this level of affordability: rental units would be priced at the average market rent by number of bedrooms for the regional market area to a cap of what is affordable to rental households in the 60th income decile. In practice, this means that the deepest “discounts” would be for units with two or more bedrooms. Ownership units would similarly be priced at the market rate to a cap of what is affordable to ownership households in the 60th income decile. Some degree of deeper affordability, such as by pricing units at 80% of the market rate, would also be possible in the proposed IZ Framework, but would have a corresponding impact on the feasibility analysis.

How does Inclusionary Zoning work?

Requiring affordable units through IZ will impact the financial viability of new development proposals. IZ units are units that have, in effect, a discounted price for the developer – meaning less revenue flows from these units that would have otherwise. Too high a set-aside rate (i.e., too many affordable units) could make new residential development in PMTSAs non-viable, meaning that the building financing does not work – and no housing, affordable or otherwise, gets developed. Too low of an “affordability” discount (i.e., offering the units too far below market rates) could have a similar impact, by again reducing the revenue stream below feasibility for a developer to proceed. As such, the proposed IZ framework must strike a balance between the realities of land economics and hard construction costs with the demand for affordable housing across several income levels (see “Assessment Report, Methodology”).

Like any other major policy change that impacts development opportunity, market conditions will react to IZ. The cost of a reasonable amount of IZ is expected to be

absorbed, at least in part, by changes to market land values and internal financing adjustments over the course of a transition period.

Practically, implementing IZ requires that prospective developers enter into a legal agreement with the City before a building permit can be issued. A site-specific Official Plan and/or Zoning By-law amendments would be required where a prospective developer seeks relief from the IZ provisions.

Affordable units made available through IZ can be rental or ownership units. During the development review process, the City is made aware of whether a proposed development will be subject to a Plan of Condominium or other ownership structure, or whether the proposed development is intended to be rental units (“purpose-built rental”). If the proposed development is purpose-built rental, then any affordable units will also be rental. If the proposed development will contain ownership units, then the affordable units can be offered for sale or for rent.

When an affordable unit is sold, it is sold to another eligible purchaser and at a price considered affordable at the time. The *Planning Act* authorizes municipalities to recover up to 50% of the net proceeds from such a sale, but staff suggest only doing this for the first sale after the affordability period has expired. Staff do not advise removing opportunity to generate equity for eligible households that might benefit from the appreciation of their real estate holding, so for most transactions, 0% of the net proceeds would be collected.

In order to deepen affordability for low-income households, a non-profit housing provider may be considered an eligible purchaser for affordable ownership units in certain circumstances, or as the lessor of several rental units. When this occurs, those units could then be let, or sub-let, by that provider at deep affordability rates.

Importantly, the affordable units in any development will be indistinguishable from the market units in the same building, and the tenants and owners of affordable units will have access to the same common amenity spaces as the tenants and owners of market units.

Review of Other Jurisdictions

As of the date of this Report, only City of Toronto Council has adopted an IZ framework. Other municipalities in Ontario, including but not limited to Mississauga, Kitchener/Waterloo, London, Hamilton and Peel are at various stages of implementing IZ.

The City of Toronto implemented IZ in October 2021 but remains in the process of designating PMTSAs in its Official Plan. Toronto identified three separate “market areas” and have assigned different set-aside rates to each. Those set-aside rates are proposed to slowly phase in, with incremental increases starting in 2023 and continuing until 2030. The rates maximize at 5% for purpose-built rentals and 22% for condominiums.

Toronto is also proposing an affordability period of 99 years and a minimum development size threshold of 100 units or 8,000 square metres.

The implementation framework in Toronto, including legal agreements, is still being finalized. Their Council has endorsed a set of “Implementation Guidelines” that outlines general procedures and priorities.

Staff are engaged with the City of Toronto to follow along with and learn from their implementation strategy.

C/ Assessment Report – Initial Findings and Conclusions

Overview

The City retained the services of SHS Consulting to complete an assessment report. The report is required by the Section 16 of the *Planning Act* and Ontario Regulation 232/18. An assessment report must include the following:

1. An analysis of demographics and population in the municipality.
2. An analysis of household incomes in the municipality.
3. An analysis of housing supply by housing type currently in the municipality and planned for in the Official Plan.
4. An analysis of housing types and sizes of units that may be needed to meet anticipated demand for affordable housing.
5. An analysis of the current average market price and the current average market rent for each housing type, taking into account location in the municipality.
6. An analysis of potential impacts of inclusionary zoning on the housing market and on the financial viability of development or redevelopment in the municipality, including requirements in the by-laws related to the matters mentioned in clauses 35.2 (2) (a), (b), (e) and (g) of the Act, taking into account:

- i. Value of land,
 - ii. Cost of construction,
 - iii. Market price,
 - iv. Market rent, and
 - v. Housing demand and supply.
7. A written opinion on the analysis described in paragraph 6 from a person independent of the municipality and who, in the opinion of the council of the municipality, is qualified to review the analysis.

The assessment report is currently undergoing a third-party review as required by paragraph 7, above, conducted by Dillon Consulting Limited together with NBLC. Once the review is complete and the assessment report finalized, both will be available online. Initial findings from the draft report have been used to shape the City's proposed framework, where appropriate.

Methodology

The assessment report utilizes a method of appraisal called the "residual land value," which compares the costs of a development project with its expected revenue. Where the revenue is sufficiently greater than the costs, then that development project is considered financially viable.

The report calculated the residual land values for various IZ scenarios and determined whether the scenario was financially viable or non-viable. The five (5) key variables when creating scenarios were:

- i. **PMTSA geography:** The report acknowledges that not all PMTSAs are created equal. Downtown markets, with mature developments and high prices, respond to IZ differently than suburban markets, where higher-order transit is new and development is at the early steps of transitioning from a low-density suburban environment towards higher-density transit-focused forms.
- ii. **Size of development** (i.e., low-rise, mid-rise, or high-rise)
- iii. **Ownership tenure** (i.e., rental or ownership): Purpose-built rentals can withstand less IZ pressure, since the impact on revenue is felt on a recurring basis, rather than at a one-time sale.

- iv. **Set-aside rate:** The report considered 10%, 15% and 20% as possible set-aside rates.
- v. **Level and duration of affordability:** The report considered two possible affordability periods (25 and 99 years) at the moderate-income level.

Initial findings indicate that Ottawa markets could potentially support condominium set-aside rates up to 15%, and purpose-built rental set-aside rates up to 10%. The *Planning Act* requires that the Assessment report be updated at least every five (5) years.

Target households

The below Table 1 taken from the draft assessment report and updated with more current data demonstrates that renter households even in the moderate-income range are unable to afford larger units at the current market rate, and those larger units are often sought out by households with multiple children, multi-generational households and new Canadians. In the low-income deciles, there are no affordable rental housing options.

Table 1:

Renter Income Deciles	Maximum Affordable Rent	Primary Rental Market (2021)				
		Bachelor	1 Bedroom	2 Bedroom	3 Bedroom+	Average
		\$1,061	\$1,280	\$1,554	\$1,779	\$1,430
Low Income Deciles 1-3 (\$32,432 and less)	\$235	No	No	No	No	No
	\$564	No	No	No	No	No
	\$811	No	No	No	No	No
Moderate Income Deciles 4-6 (\$32,433 to \$64,456)	\$1,057	No	No	No	No	No
	\$1,330	Yes	Yes	No	No	No
	\$1,611	Yes	Yes	Yes	No	Yes
	\$1,969	Yes	Yes	Yes	Yes	Yes

High Income Deciles 7-10 (\$64,457 and above)	\$2,409	Yes	Yes	Yes	Yes	Yes
	\$2,810	Yes	Yes	Yes	Yes	Yes

The below Table 2 demonstrates that ownership households in the moderate income range can sometimes afford a condominium unit but no other form of housing.

Table 2:

All Household Income Deciles	Maximum Affordable House Price	Ownership Market (2021)		
		Residential	Condominium	Total
		\$743,309	\$426,874	\$671,801
Low Income Deciles 1-3 (\$61,645 and less)	\$112,733	No	No	No
	\$196,567	No	No	No
	\$272,775	No	No	No
Moderate Income Deciles 4-6 (\$61,646 to \$117,109)	\$347,800	No	No	No
	\$428,675	No	Yes	No
	\$519,149	No	Yes	No
High Income Deciles 7-10 (\$117,110 and above)	\$631,677	No	Yes	No
	\$788,814	Yes	Yes	Yes
	\$1,021,004	Yes	Yes	Yes

The assessment report considered the impacts of IZ based on rates that were affordable to moderate-income households. In order to offer units at rates that are affordable to low-income households, additional supplements would need to be offered by the City to offset the additional loss of revenue, or the units would need to be acquired by a non-profit housing provider.

Affordability period

The affordability period is the length of time that the City will require IZ units to be kept as affordable. The assessment report considered the impact of two affordability periods: 25 years and 99 years.

For ownership units, the affordability period has no impact on the viability of a development because the lost revenue is a one-time occurrence at the time of initial sale. For purpose-built rentals, however, the affordability period will impact viability because it changes how long the owner of the building must collect rents that are below the market value. As such, a shorter affordability period increases the chance of financial viability for purpose-built rental developments, which are particularly desirable.

However, it should be noted that the affordability period for ownership units may impact the upkeep of a unit as, over time, owners are not incentivized or are otherwise unable to make meaningful upgrades because of the limitations on resale or financial hardship. Staff are considering its options for tools to ensure that affordable ownership units remain marketable.

Set-aside Rates

The Assessment report considers set-aside rates in terms of gross floor area rather than number of units, and staff recommends taking the same approach. The *Planning Act* gives municipalities the discretion to use number of units or gross floor area in the regulation dealing with Official Plan policies:

“For the purposes of clause 35.2 (2) (a) of the Act, **the number** of affordable housing units, **or the gross floor area to be occupied** by the affordable housing units, that would be required.” [emphasis added] O. Reg 232/18 Section 3(1) 5.

There is a need for affordable units that are suitable for larger households as well as units that are accessible and/or offer supports. Using a percentage of GFA will give the City more flexibility to require larger, multi-bedroom, and/or accessible affordable units, since we would not be bound by a specific number of units. This approach will also ensure that the same amount of affordable housing is provided for two developments of equal size, even if one has fewer, but larger, units.

Recall that if a set-aside rate is too high, then we risk that there will be no new residential development where that rate applies. In the same way, offering a lower set-aside rate for a desired form of development may encourage that form. Initial findings in

the assessment report indicate that Ottawa markets could potentially support set-aside rates to a maximum of 15%.

Staff does not recommend seeking the maximum as a first step but advises taking a cautious approach towards implementing rates. Staff suggests applying an initial 10% rate cap for condominium developments, with three caveats.

1. A closer review of all 26 PMTSAs will be required to properly optimize IZ based on the unique market conditions. This more detailed and focused station-area review may result in recommendations to amend the rates upwards or downwards based on land economics particular to station geography and market conditions.
2. High volatility in construction and housing markets creates significant risk of tipping a development past the point of viability, particularly with a higher rate. We are aware of that risk and how it may translate to smaller or fewer development proposals in PMTSAs.
3. An IZ obligation would arise around the same time as new development charges, a new Community Benefits Charge By-law, changes to parkland dedication, as well as changes from Bill 109. The cumulative impact of these changes is being studied by staff and consultants. The City's approach to IZ must account for these other impacts on development.

This recommendation is discussed more below (see Recommendations, Set-aside Rates).

Third-Party Review

The City has retained Dillon Consulting Limited to do a third-party review of the assessment report. According to Ontario Regulation 232/18, all assessment reports must contain:

A written opinion on the analysis described in paragraph 6 from a person independent of the municipality and who, in the opinion of the council of the municipality, is qualified to review the analysis.

This review is currently in progress.

D/ Proposed Inclusionary Zoning Framework for Ottawa

Overview

Staff propose returning to Council in 2023 with Official Plan and Zoning By-law amendments to implement IZ as well as an implementation strategy, followed by at least a one-year transition period. Before that time and during the transition period, many administrative details need to be determined, such as (but not limited to) how to deal with the death of an owner, mortgage defaults and the degree of the City's involvement in tenants' rights matters.

The recommendations in this section use the initial findings of the assessment report to set the most important parameters for Ottawa's IZ framework, answering such questions as:

- Which developments will be subject to IZ?
- Who will be eligible for IZ units?
- How much area will be set aside as affordable?
- How long will units be kept as affordable?
- When will offsite units be considered, if at all?
- Will the City collect net proceeds from a sale?
- What is an appropriate transition?

Once these foundational parameters are determined, staff will be in the best position to craft policy and regulations, advance public and stakeholder engagement on same, and work out the details of implementation and administration.

The below recommendations are summarized in Framework and Principles, attached as Document 1.

Recommendations

Development Size Threshold

Staff recommend IZ apply to new developments that contain 50 residential units or more. This would include additions to existing buildings where the addition contains 50 or more new units, as well as mixed-used developments that contain 50 or more residential units. Further, where a phased development is proposed and the total for all phases exceeds 50 units, the entire development would be subject to IZ.

Staff also recommend a minimum residential gross floor area threshold so that any development with a residential GFA at or greater than a certain size would also be subject to IZ even if it contained fewer than 50 units. Staff proposed this threshold be 3,500 square metres. To arrive at this figure, staff first reviewed a number of recent development proposals for buildings with fewer than 100 units to find an appropriate range. Staff then applied the same assumptions as the assessment report about unit sizes and unit mix to a prototypical 50-unit building and found that 3,500 m² would be sufficient to capture comparable-sized developments without over-capturing well-intentioned smaller developments.

It should be noted that staff do not anticipate many developments in PMTSAs to be close to this threshold due to existing development potential. The New Official Plan includes ambitious density targets and greater height limits in PMTSAs. Several recent developments in what will soon be considered a PMTSA far exceed this threshold. As such, we expect this threshold to capture most if not all residential developments in PMTSAs once IZ is in force.

Target households

IZ will target moderate-income households. For ownership units, this currently includes households with an income of \$117,109 per year or less. For rental households only, this includes households with an income of \$64,456 per year or less.

In general, low-income households will be ineligible for an IZ unit unless significant additional funding sources and assistance separate from the development itself are identified. If units are offered at rates that are considered affordable to low-income households, then the revenue loss will be too great for the development to be financially viable. For low-income households to benefit from IZ, any of the following would need to take place:

1. The City would need to offer assistance through another one of its housing affordability tools (e.g. rent supplement, housing allowance).
2. IZ ownership units would have to be purchased or leased by a housing provider and subsequently leased or sub-leased at a deeper level of affordability.
3. Through negotiations with the City on a site-specific basis, developers agree to sale prices or rents that are affordable to low-income households. Staff will investigate potential financial incentives such as fee waivers or tax increment equivalent grants offered through a Community Improvement Plan.

These options are currently being explored by staff and may form part of the administrative framework that will be introduced with the Official Plan policies and zoning regulations.

Affordability period

The amount of time that unit must remain affordable impacts not just viability, but also the human resources that are necessary to oversee and administer IZ units as they increase in number over time.

Another consideration for an appropriate affordability period is the natural life cycle of a building and the tendency for older buildings to have lower rents and sale prices than their newer counterparts. A longer affordability period could mean facing more issues with unit maintenance and accessibility as the building ages, as well as the possibility that the gap between market rent and affordable rent pursuant to IZ closes completely, making the continued administration superfluous.

Staff is recommending a 99-year affordability period for ownership units and a 25-year affordability period for purpose-built rentals, if and when they become subject to IZ. With the suggested set-aside rates set out below, a 99-year affordability period would not impact development feasibility in the immediate term.

Further, initial findings in the assessment report indicate that, of the viable IZ scenarios for purpose-built rentals, most are within a 25-year affordability period. To ensure that purpose-built rentals remain feasible options for development, a shorter affordability period is appropriate.

Set-aside Rates

The “set-aside rate” is the percentage of units or gross floor area (GFA) that is required to be affordable. Staff recommend using the total *GFA of the units* in the building (hereinafter referred to as “unit GFA”) for this calculation. The effect of the proposed approach is a final building plan where, considering only the area of the units, the agreed set-aside amount of area is affordable. During the development review process, staff will work with the developer to agree on an appropriate mix of unit types that meet or exceed that floor area.

For added clarity, a larger calculation of GFA of the residential area, including common spaces, would be used for the IZ threshold, while unit GFA would be used for the set-aside rate.

Staff is recommending initial set-aside rates of 10% for Condominiums and 0% for purpose-built rentals, city-wide. During the first 5-year review of the assessment report, or sooner if directed by Council, the City will retain a consultant to conduct a market analysis of each PMTSA individually and then propose to increase or decrease the set-aside rates accordingly.

These modest rates will allow for a steady stream of affordable ownership housing units to be constructed while at the same time being meaningful enough to trigger a market response. A closer look at the market characteristics of each PMTSA in the coming years will also allow the City to increase the set-aside rates in certain areas, as appropriate.

Based on the rate of development in or near PMTSAs in the past few years, staff estimate that the number of affordable units created through IZ with these set-aside rates will be in the range of 60 to 90 units per year.

Staff understand that constructing new purpose-build rentals is already quite challenging for developers, and it would become even more so should IZ impact their feasibility. A 0% rate for purpose-built rentals until such time as each PMTSA is assessed would not impose any additional regulatory barrier toward development of these desirable buildings, moving towards the objective of building 25% rentals (see “Direction from Council”, above).

Notwithstanding the proposed 0% interim rate for purpose-built rentals, as there is potential for future increase, this Report, Document 1 and the upcoming Official Plan and zoning amendments and implementation guidelines contemplate the existence of IZ rental units.

Provision of Offsite Affordable units

The *Planning Act* gives municipalities the discretion to allow affordable units to be provided in a different building than the one containing the market units. These are called “offsite units.” Section 5 of Ontario Regulation 232/18 reads:

Restrictions on offsite units

5. The authority of a council of a municipality under clause 35.2 (5) (a) of the Act is subject to the following restrictions:

1. Offsite units shall not be permitted unless there is an Official Plan in effect in the municipality that sets out the circumstances in and conditions under which offsite units would be permitted.
2. Offsite units shall be located in proximity to the development or redevelopment giving rise to the by-law requirement for affordable housing units.
3. The land on which the offsite units are situated shall be subject to an inclusionary zoning by-law.
4. Offsite units shall not be used to satisfy the by-law requirement to include a number of affordable housing units, or gross floor area to be occupied by affordable housing units, that applies to the development or redevelopment in which the offsite units are permitted.

Paragraph 5.1, above, indicates that the default is to *not* permit offsite units. One of the purposes of IZ is to have affordable units integrated with the market units, not to have affordable units physically separate.

However, staff is prepared to contemplate offsite units in the Official Plan under certain conditions such as:

- The offsite units must be in the same PMTSA as the parent development;
- There must be an added benefit to the provision of offsite units, such as:
 - The set-aside rate is exceeded; or
 - The mix of type of units must be better than could be achieved if offered in the parent development (i.e., more accessible units).
- The offsite units must be of similar quality with similar finishes as the parent development;
- The offsite units must be ready for occupancy before or contemporaneous the parent development.

Offsite units are not expected to be contemplated in the IZ By-law, meaning a developer would need a Zoning By-law Amendment to provide offsite units and therein be required to prove that the intent of the Official Plan is maintained.

In general, however, offsite units will be discouraged. The upcoming Official Plan amendment will outline the criteria for when they may be considered.

Net Proceeds from Sale of Affordable Ownership Units

When a new condominium unit is developed, the affordable units are sold to an eligible household at an affordable rate. During the affordability period, that household is permitted to sell the unit, through the City's selection process, to another eligible household at a new affordable rate determined at the time. After the affordability period expires, the owner at the time would be permitted to sell the unit at a full market rate.

Ontario Regulation 232/18 under the *Planning Act* authorizes the City to recover up to 50% of the net proceeds from the sale of an affordable unit. Section 4 reads:

Net proceeds from sale of affordable housing unit

4. (1) An Inclusionary Zoning By-law may require a portion of the net proceeds from the sale of an affordable housing unit to be distributed to the municipality.
- (2) A by-law referred to in Subsection (1) shall set out the percentage of the net proceeds to be distributed to the municipality, which shall not exceed 50 per cent.
- (3) If a by-law referred to in Subsection (1) is in force, an agreement referred to in clause 35.2 (2) (i) of the Act shall provide that, where an affordable housing unit is sold, a percentage of the net proceeds from the sale shall be distributed to the municipality in accordance with the by-law.

The purpose of recovering any portion of the net proceeds is to reinvest those funds into affordable housing initiatives. However, staff are hesitant to impede on the opportunity for households to generate wealth through the appreciation of their real estate over time. During the affordability period in particular, the City should empower the eligible households sell their units and bank the difference, ultimately benefitting more families over time.

Staff is recommending that the Official Plan policies dealing with IZ allow the City to collect "up to 50%" of the net proceeds following a sale of an affordable housing unit.

An administrative framework would further delineate the rules around collection to ensure that 0% of the net proceeds are collected during the affordability period, and up to 50% are collected from the first sale after the affordability period expires.

The exception accounts for the fact that the first sale after the affordability period expires would create a “windfall” for that household. In the interest of fairness to all other affordable housing owners, it is appropriate to collect a portion of the net proceeds from this sale and redistribute those funds into affordable housing programs

Staff is required to report to Council on the amount of proceeds that were received from the sale of affordable housing units in its two-year review. As proposed, there would not be any until after the expiration of the first affordability period.

Transition Period

Staff are proposing at least a one-year transition period before IZ is applied. As mentioned above, a transition period is a critical component to how IZ works as it allows land prices in PMTSAs to adjust to IZ.

Forgoing a transition period entirely is not desirable for at least three reasons: first, it removes the opportunity for a market response to adjust to a major policy intervention. Second, like any major zoning change, it would unfairly prejudice developers who are already in the development application process (i.e., pre-consulting with staff) for land in a PMTSA. Third, once an IZ framework is adopted by Council, additional efforts relating to implementation must be completed such as drafting legal agreements and preparing an online interface for eligible households to apply for affordable units. These supporting tools and administrative framework will need to be resourced and structured appropriately for both industry and staff to work with, and so a one-year transition period also allows them to be finalized.

Implementation

The Framework and Principles attached as Document 1 includes commitments on IZ implementation and represent the staff’s primary direction going forward with IZ. Moving forward, implementation efforts fall into two phases:

1. Detailed **Implementation Guidelines** would be created within the parameters set by the Framework and Principles and brought forward with the Official Plan and Zoning By-law amendments.
2. After Council has approved the IZ framework during the transition period, several **measures to materialize the Implementation Guidelines** will need to be prepared, including but not limited to:
 - i. Legal agreements and lease terms;

- ii. An understanding of how IZ interacts with tax assessments and creation of an abatement structure, if necessary;
- iii. An online portal for eligible households to apply for an affordable unit;
- iv. A fair process for selecting tenants/owners;
- v. A process for accepting any proceeds;
- vi. A guide for development review planners; and
- vii. A procedure for monitoring and regular reporting of the status of IZ units, as required by Section 34.2(3) of the *Planning Act* as well as O. Reg 323/18.

Public and Stakeholder engagement is expected to continue through both of the above phases.

Monitoring and Reporting

Section 35.2 of the *Planning Act*, which deals with the Zoning By-law implementing IZ, requires that the City establish a procedure for monitoring the affordability of IZ units:

Procedure to ensure affordability maintained

(3) A council of a municipality that passes a by-law giving effect to policies described in Subsection 16 (4) shall establish a procedure for monitoring and ensuring that the required number of affordable housing units, or the required gross floor area to be occupied by affordable housing units, as the case may be, is maintained for the required period of time. 2016, c. 25, Sched. 4, s. 4.

Further, the *Planning Act* requires that staff update Council at least every two years on the following:

1. The number of affordable housing units.
2. The types of affordable housing units (i.e. number of bedrooms, accessibility, ownership tenure, etc.)
3. The location of affordable housing units.
4. The range of household incomes for which the affordable housing units were provided.

5. The number of affordable housing units that were converted to units at market value.
6. The proceeds that were received by the municipality from the sale of affordable housing units (O. Reg 323/18 Section 7).

A monitoring procedure will form part of the administrative framework prepared during the transition period. An “approach” for that procedure will be contained within the Official Plan amendment, as required by Subsection 3(2) of O. Reg. 323/18. The financial and resource obligations to support this monitoring requirement will also be determined and brought back to Council.

Designating new Areas to be Subject to Inclusionary Zoning

When the *Planning Act* introduced IZ in 2017, it was introduced as a tool that could be applied city-wide. When the *Act* was amended in 2019, it limited IZ to PMTSAs and CPP areas, which raises the question: can the City designate more PMTSAs and CPP areas in its Official Plan to increase the land to which IZ applies and yield more affordable units?

The short answer is yes, the City can do this. Both would involve studies, consultation, and an Official Plan amendment process.

PMTSAs specifically are a new planning tool introduced through Bill 139, the *Building Better Communities and Conserving Watersheds Act, 2017*. They are meant to be used by municipalities that have “higher-order transit” to delineate and set density targets for station areas – the “station area” must include the station and lands surrounding it that are related to the station. In other words, municipalities can delineate a PMTSA however they would like, but it should not include lands, because of distance or some other factor, that do not actually “surround” the transit stop.

Any Official Plan policy or zoning regulation related to PMTSA target densities and building heights to achieve that density cannot be appealed to the Ontario Land Tribunal.

Only those stations with the greatest development potential over the lifetime of the New Official Plan were designated PMTSA therein. For example, staff did not suggest designating rapid transit stations coming from Phase 3 of the LRT at this time because affordable units could be built before they were actually supported by transit. In general, staff chose to designate station areas that are planned to be operational through Phase 2, and areas that are also designated as Hubs and Corridors.

Policy 5 of the New Official Plan Section 6.1.2 lays the policy framework for new or expanded PMTSAs; as existing PMTSAs are built-up and the City's higher-order transit stations are completed, it is certainly possible that new PMTSAs will be designated, allowing IZ to apply to more lands.

E/ Supportive City of Ottawa Initiatives to Increase Affordability

Recall that the level of affordability is one of the variables impacting the financial viability of development. IZ is meant to target households with moderate incomes such that the affordable rates are manageable in the "residual land value" analysis. For IZ units to be available to low-income households without changing the set-aside rates, the City would need to provide additional financial assistance to either the household or the developer.

As mentioned above (Recommendations, Target Households), this kind of "benefit stacking" was not considered in the feasibility analysis but will be considered as part of the development of an administrative framework.

Staff are currently looking into how IZ will impact property assessments and the final tax rate paid by the owner of an affordable unit. Specifically, staff is looking into whether tax relief is appropriate to avoid a situation where the owner is paying property taxes based on an assessed value that exceeds the affordable price.

Affordable Housing CIP

The City is currently developing a draft Community Improvement Plan (CIP) for Affordable Housing that would apply City-wide. Pursuant to Section 28 of the *Planning Act*, a CIP empowers the municipality to offer grants or loans for eligible costs related to the provision of affordable housing, including those affordable units created through IZ. The draft CIP will be brought forward to Council in early 2023, in advance of the Official Plan and Zoning By-law amendments that will implement IZ. Financial offsets that could be derived through an affordable housing CIP will be considered as part of the IZ administrative framework as a means of achieving deeper affordability in some IZ units.

ASSET MANAGEMENT IMPLICATIONS

The recommendations documented in this report are consistent with the City's [Comprehensive Asset Management \(CAM\) Program](#) objectives. The implementation of the Comprehensive Asset Management program enables the City to effectively manage existing and new infrastructure to maximize benefits, reduce risk, and provide safe and reliable levels of service to community users. This is done in a socially, culturally, environmentally, and economically conscious manner.

FINANCIAL IMPLICATIONS

There are no financial implications associated with the report recommendations.

LEGAL IMPLICATIONS

Section 35.2 of the *Planning Act* contains express permission for municipalities to implement inclusionary zoning provisions.

COMMENTS BY THE WARD COUNCILLORS

This is a city-wide report – not applicable.

CONSULTATION

Whereas an Inclusionary Zoning (IZ) policy in Ottawa will be applicable to lands only within the city's urban boundary, much interest will be garnered city-wide. To this end, staff will consider all of the impacts an IZ policy will have and will engage with internal and external stakeholders accordingly.

Staff began the initial consultations on Inclusionary Zoning through the drafting of the New Official Plan, specifically Section [4.2.5 – Implement Inclusionary Zoning](#). Additionally, staff in the Community and Social Services Department continue to discuss Inclusionary Zoning as a potential tool in the City's tool kit to assist with the [10-Year Housing and Homelessness Plan 2020–2030](#).

An Assessment Report is required by the Province pursuant to the *Planning Act* prior to adopting IZ policies and regulations. SHS Consulting has been contracted to assist with the development of the report and the report will be subject to public engagement and consultation following the completion of the third-party review.

To date, city staff and SHS Consulting have engaged with internal stakeholders, external industry and development professionals, key stakeholders and the Affordable Housing Working Group and members of Council. The engagement and consultation completed by SHS Consulting is imperative to collecting data and feedback to develop the Assessment Report.

The scope of targeted for-profit and non-profit engagement that was outlined by SHS Consulting and city staff will be broadened to include the general public in the coming phases of the project.

Following the receiving of this Policy Directions Report by Council, the project will enter Phase 2 of its stakeholder engagement with the following objectives:

- a. Educate: Informing internal and external stakeholders, including the general public of what IZ is and how it may affect their communities
- b. Engagement: Solicit feedback and input from stakeholders and general public to help draft the Official Plan policies and Zoning By-law regulations.

The next phase of engagement will be completed as part of the Official Plan and Zoning By-law amendments in 2023.

Whereas Council needs to provide direction, comment, and be informed of the current status of the project, and the impacts of its implementation, the City has a duty to engage and inform its residents of what IZ could mean for their communities. It is imperative that residents, business, and industry are well informed of the IZ framework and the implications it has on local development, affordable housing and planning.

Planning, Real Estate, and Economic Development Department and in collaboration with Community and Social Services Department staff will lead the engagement outside of that currently being conducted by the consultant. The following tables represents the purpose, commitment, and the potential tools and tactics staff will reference to continue the dialogue and engagement on future Inclusionary Zoning By-law and Official Plan policies.

	Educate	Involve	Collaborate
Purpose	Communicate Engage with the community and general public Share information to build awareness	Listen – Learn – Dialogue Include the public in the process Gather input and ideas for action and implementation	Actively participate Define problems and develop recommendations for action Review the work completed by SHS Consulting and city staff to engage with

			<p>the general public and targeted groups</p> <p>Implement targeted recommendations and build policy to incorporate Inclusionary Zoning into the Official Plan and Zoning By-law</p>
<p>City's Commitment to the Public</p>	<p>The City will keep stakeholders and the general public informed and advised of the final outcomes</p> <p>The City has a duty to include the local community, business, Indigenous Groups, Equity and Inclusion Groups</p> <p>The City wants to implement Inclusionary Zoning</p>	<p>The City has publicly outlined the challenges the lack of affordable housing options and are working towards solutions.</p> <p>The City will include all stakeholders in the process and consider their feedback in our decision making or next steps.</p> <p>The City will publicly engage to receive input on how to implement Inclusionary Zoning policies.</p> <p>The City will let stakeholders and the general public know how their input</p>	<p>The City will seek stakeholder's advice and input on defining the problem and solutions</p> <p>The City will seek stakeholder's advice and input and develop alternatives, solutions and recommendations</p> <p>The City will work to implement the solutions and recommendations that are acceptable to staff, stakeholders, and residents</p> <p>The City will let stakeholders and residents know how their input</p>

		influenced the decision.	influenced the decision
Potential tools and tactics	Social Media Webpage Surveys Comment Period Councillor Updates Events and info sessions (Virtual)	Affordable Housing Working Group SHS Consulting and internal project team Councillors Indigenous Community Equity and Inclusion Groups Local Businesses For Profit & Industry Groups ACORN Horizon Ottawa Affordable Housing interest groups Local Community Groups General Public	Working core group meetings One on one meetings Information Sessions Committee and Council Reports Publicly available documents Survey results

Addition public consultation and engagement during the proposed transition period to ensure a seamless implementation will be determined by staff.

ACCESSIBILITY IMPACTS

Inclusionary Zoning has the potential to have a positive impact on housing options for people with disabilities. There is a lack of accessible housing options in the City, and issues are further compounded for residents requiring affordable, accessible housing.

New affordable housing in the City of Ottawa is required to meet requirements for Visitability under the [Accessibility Design Standards \(ottawa.ca\)](https://ottawa.ca/accessibility-design-standards) Section 16.13. Staff should consider an implementation strategy that meets the objectives of these standards.

Staff will continue consulting with the Accessibility Office as Policies and By-laws are developed for IZ, that detail the selection process and incentivization for building accessible units, and other considerations that require an accessibility lens. Staff will also consult with the City's Accessibility Advisory Committee, as housing is on the Committee's workplan. The Ottawa Disability Coalition has also expressed an interest in access to accessible, affordable housing, and will be invited to participate in consultation.

The Canadian Standards Association is working on the development of new standards for accessible housing with Accessibility Standards Canada. As these standards are introduced, staff will consider implementation for evaluating accessible units in IZ.

INDIGENOUS GENDER AND EQUITY IMPLICATIONS

Housing is a human right, so any significant housing policy has the potential to have considerable Indigenous, gender and equity implications. This Report focused on creating an inclusionary zoning framework in Ottawa based on what would be financially viable forms of development, not on the particulars of implementation and administration.

As it moves forward with Council direction, the City is committed to conducting widespread community engagement and applying a gender and equity lens to the Official Plan policies, Zoning By-law regulations, and implementation framework. For example, the City will take steps to ensure that tenant and owner selection processes are equitable.

RISK MANAGEMENT IMPLICATIONS

There are risk implications. These risks have been identified and explained in the report and are being managed by the appropriate staff. Some examples are listed below:

- Adoption of the New Official Plan by the Province of Ontario
- Adoption of the Protected Major Transit Station Areas in the New Official Plan
- If a set-aside rate is too high, then we risk that there will be no new residential development where that rate applies
- High volatility in construction and housing markets.

RURAL IMPLICATIONS

There are no rural implications associated with this Report.

TERM OF COUNCIL PRIORITIES

As part of the 2019-2022 Strategic Plan, the City is committed to ensuring that residents have access to housing options that fit their needs and are affordable. As a tool meant to create new affordable housing units near transit, inclusionary zoning advances the following three priorities:

- Economic Growth and Diversification: specifically, inclusionary zoning will help to ensure that Ottawa is an affordable city for all residents.
- Integrated Transportation: specifically, building development in and around hubs.

- Thriving Communities: specifically, that residents have access to safe, adequate and affordable housing; development of affordable housing options.

While this Report does not introduce policies and regulations to implement inclusionary zoning, as an update and direction this Report forms a necessary steppingstone to achieving more affordable units close to transit as Ottawa continues to develop.

SUPPORTING DOCUMENTATION

Document 1 Framework and Guiding Principles for Inclusionary Zoning in Ottawa

Document 2 Map of Protected Major Transit Station Areas (PMTSAs)

DISPOSITION

PRED, with the help of CSSD and BTSS, will proceed to bring forward an Official Plan and Zoning By-law amendments to Council to implement inclusionary zoning.

Coordination with other municipal departments will be required for both preparation and implementation.

By-laws implementing the amendments will be required to return to Council.

Pursuant to the *Delegation of Authority By-law* (By-law No. 2022-29), Schedule “C”, Section 7, the City Clerk has authorized the correction of minor errors to reflect the correct meeting dates on page 8 of this report. The Inclusionary Zoning Status Update and Direction report listed on the Special Joint Meeting of the Planning Committee and the Community and Protective Services Committee Agenda 2, published on June 7, includes this correction.