Inclusionary Zoning Policy and Program Directions for Cambridge, Kitchener and Waterloo

Discussion Paper

June 2023

Executive Summary

The Cities of Kitchener, Cambridge and Waterloo, in partnership with the Region of Waterloo are exploring Inclusionary Zoning (IZ) as a means to increase the amount of affordable housing near the ION rapid transit stops. IZ is a tool that allows municipalities to require a certain percentage of affordable housing units within new private developments containing 10 or more dwelling units in Major Transit Station Areas (MTSAs). The tool has been implemented successfully in a number of jurisdictions across North America.

IZ is unique from other affordable housing programs in that it can provide new affordable units over time without reliance on significant government subsidies. It also can help ensure the creation of new affordable units in areas near light rail transit, which can help to counter the impacts of rising land values and gentrification that are typically associated with large transit investments. While IZ can't address all the region's housing challenges, it can be used to create a sustainable supply of affordable units for moderate income households who are unable to afford market rents. More moderate cost housing can take pressure off the subsidized housing system by providing affordable housing options for those households who have the capacity and desire to leave the subsidized housing system. Used in combination with other tools, such as ongoing government investments in emergency, temporary and subsidized housing, and adopting planning policies and regulations that enable an appropriate housing supply, IZ is a promising tool to support a healthy housing system.

This discussion paper reviews and recommends policy options for a coordinated, Regional IZ policy and program. Policy recommendations are based on legislative requirements, a review of best practices from other jurisdictions, feedback obtained through public engagement, and modelling of the potential financial impacts on the local housing market. Key recommended policy and implementation directions and rationale are identified below:

1. *Locations:* An IZ policy should apply to new residential developments in all 24 MTSAs in Waterloo Region. Policy requirements should be tailored to the market for each MTSA. Rationale: To ensure the program maximizes IZ unit potential in strong markets and signals policy intentions to emerging markets to inform private market land transactions.

2. *Building size:* IZ should apply only to buildings with 50 or more residential units (exact threshold to be determined as part of development of draft zoning). Rationale: Focus program on larger developments to avoid potential negative impacts on the financial feasibility of missing middle and medium density housing types, recognizing that these built forms already face significant financial obstacles in MTSAs.

3. *Affordable unit tenure:* Affordable units should be provided as rental units within a condominium building (see 10. Administration) , within a purpose-built rental building or offsite. Rationale: Proposed Provincial IZ regulations set limits on minimum affordable rents and prices.

While the proposed minimum of 80% Average Market Rent (AMR)[1] is affordable to households in the moderate income range, the proposed minimum of 80% Average Market Resale Price (AMRP) for an affordable ownership IZ unit would be affordable to only those households in the top 20th percentile of the income range. Ownership units within the 80% AMRP bracket are already provided by the market without the need for an IZ policy and associated administration and enforcement.

4. *Set-aside rate:* Proportion of units or Gross Floor Area to be affordable should start low and transition slowly upward to a maximum of 5%, in accordance with the local market conditions. MTSAs considered to fall within *Prime Market Areas* should start at 2% and increase to 5% by 2031; MTSAs within *Established Market Areas* should start at 1% and increase to 3% by 2031; MTSAs within *Emerging Market Areas* should start at 0% and increase to 2% by 2031. Rationale: Proposed amendments to O. Reg. 232/18 limit set-aside rate to 5%. A low initial set-aside rate and relatively slow transition to the maximum rate will help avoid market disruption and signal to the market future policy intentions. Financial feasibility modeling suggests that stronger (prime) markets can better absorb the costs associated with an IZ policy compared with weaker (emerging) markets.

5. *Level of Affordability:* Affordable rental units in condo buildings should not exceed 100% Average Market Rent. Affordable rental units in purpose-built rental buildings should not exceed the greater of MLI select rent (currently $1,425) or 100% of average market rent. Rationale: A minimum affordability threshold of 100% AMR (proposed for condominiums) falls within the limits proposed by the Province and provides rental units that are affordable to most moderate income households. The proposed affordable rents balance city objectives for greater affordability with financial feasibility for housing providers. The slightly higher proposed affordable rent for purpose-built rental buildings aligns with Canadian Mortgage and Housing Corporation's (CMHC) Mortgage Loan Insurance Select program for rental developments. Alignment with this program can help streamline project planning and design, and limit financial impact on purpose-built rentals which are typically more financially challenging to develop than condominium developments. This approach can ensure the provision of some units that are affordable to moderate income households in purpose-built rentals.

6. *Eligible households:* Households eligible for the affordable units should be low or moderate income households, having a gross annual income at or below the 60th percentile of regional renter household income range; and with a maximum monthly income at time of occupancy of 3.3 times the IZ unit rent. In 2021, low and moderate income household would have a before tax income of less than $58,900.

7. *Duration that units would be affordable:* Affordable units should be maintained as affordable for 25 years. Rationale: Proposed amendments to O.Reg 232/18 limit duration of affordability to 25

[1] . Average Market Rent (AMR) is calculated yearly by CMHC through their annual rent survey. Average Market Rent (AMR) represents the rents across the entire private rental housing stock and includes older stock and units rented below market due to rent control. Typical new units rents are approximately $700 per month more than AMR.

years. A shorter term of affordability would limit the positive impact of the program on the affordable housing supply. The implementation program will support options for affordability beyond 25 years where IZ units are owned by the third (non-profit, co-operative and other mission-aligned) sector (see #10).

8. *Incentives:* Affordable units provided through IZ are exempt from Development Charges. IZ units (prorated portion) will also be exempted from Community Benefits Charges and Parkland Dedication Charges but these exemptions are not yet in force. The minimum required parking rates for developments within MTSAs should be as low as possible and should range from 0 to no higher than 0.7 spaces/unit where possible, with no parking requirements for IZ units. Additional heights and densities for developments in MTSAs should be considered through comprehensive updates to the planning framework as well as on a site-specific basis, where appropriate. Rationale: The high cost of providing structured parking has a significant impact on the financial feasibility of a development and limits the potential yield of affordable and regular units in areas well served by transit. Reduction in overall residential parking rates, combined with the removal of parking minimums for affordable units would help to offset the cost of providing affordable units and is appropriate given the proximity of the developments to rapid transit and alignment with other city objectives (e.g., greenhouse gas emissions reduction targets and commitments). Increases to development heights and densities concurrent with the introduction of an IZ program can help offset the financial impact of the program, particularly for developers who purchased properties prior to IZ program adoption.

9. *Offsite units:* The required affordable units identified through a development application may be provided in a development located on an alternative site, provided that the alternative site is in an MTSA within the same municipality. Rationale: Offsite units are a crucial option to make IZ rental units work for condominium developments. They provide opportunities for creativity, partnerships and cost-sharing to create efficiencies and minimize pro forma impacts of the affordable units, while still achieving the intent of the IZ program to create high quality affordable units in mixed income communities near transit. Opportunities could include developers partnering with non-profit organizations to create offsite units within a non-profit owned building, and locating affordable units within buildings having lower construction costs, or on lower cost sites. The provision of offsite units was a concept that was widely supported by both representatives from the development industry and affordable housing providers as a tool to create affordable units that could be constructed and maintained in a cost-effective manner. This approach can leverage more affordable units, more deeply affordable units, longer affordability periods and opportunities for on-site support as compared to onsite units alone.

10. *Administration and implementation:* The Region of Waterloo has expressed an interest in taking a leading role in monitoring, enforcement and waitlist management. The Cities of Kitchener, Cambridge and Waterloo will secure affordable units through the development review process, in accordance with IZ Implementation Guideline Document (to be developed). Should the IZ program require rental as the tenure for affordable units (see item #3), implementation should include pathways for a third sector (non-profit, co-operative or other mission aligned housing provider) to own affordable units created in a condominium building. The Region may be able to

assist with financing to support third sector ownership. Rationale: Centralized administration by government or a single mission-aligned, arm's length organization with sufficient operational funds is required to ensure consistent monitoring and enforcement of the program. Enabling third sector ownership and operation of affordable rental units within condo developments will address condominium developers’ concerns about capacity to operate affordable units and will ensure affordability beyond 25 years.

11. *Monitoring and reporting:* An IZ program should be reviewed and modified as necessary, every two years to respond to land development economics and changing market conditions. If requirements are too lax during periods of strong development economics, the program will miss opportunities to deliver on affordability outcomes. If it is too demanding in weak economic conditions, it could stifle the development of much needed housing supply, affordable or otherwise. The Partners will report biennially on the IZ program and table potential amendments to these programs to optimize the program and respond to emerging issues and trends.

Recommended Set-aside Rates

Market Area and MTSA	**Set-aside Rate and Date of Occupancy***		
Station Area	**2024-2027**	**2028-2030**	**2031+**
Prime Market Areas • University of Waterloo • Laurier - Waterloo Park • Central Station • Victoria Park/Kitchener City Hall • Queen/Fredrick	2%	3%	5%
Established Market Areas • Conestoga • Research & Technology Park • Waterloo Public Square/ Willis Way • Allen • Grand River Hospital • Kitchener Market • Main • Downtown Cambridge	1%	2%	3%
Emerging Market Areas • Northfield • Borden • Mill • Block Line • Fairway • Sportsworld • Preston • Pinebush • Cambridge Centre Mall • Can-Amera • Delta	0%	1%	2%

*Set-aside rate applies to total GFA of proposed development

Recommended Maximum Rents for IZ units

Unit Type	**2022 Maximum Rent for Affordable Rental Unit**	
Unit Type	**Purpose-built Rental Building***	**Condominium Building****
Bachelor	$1,425	$1,075
1 bedroom	$1,425	$1,245
2 bedroom	$1,454	$,1,469
3+ bedroom	$1,689	$1,689

*Calculated as the greater of 100% AMR or MLI Select definition of affordability (currently $1,425).
**Calculated as 100% AMR

Introduction

Over the next 30 years, Waterloo Region's population is forecasted to grow to 923,000 people, representing an increase of 306,000 new permanent residents and non-permanent residents or about 121,080 new households. The Region of Waterloo Official Plan directs 87% of this growth (105,975 households) to the Cities of Kitchener, Waterloo and Cambridge. A corresponding 105,975 new housing units will be required to accommodate the forecasted growth, with the majority of units focused in built-up areas, and in particular, within strategic growth areas such as Major Transit Station Areas (MTSAs). To accelerate the building of new housing to address current supply challenges as well as the forecasted growth, the Province has asked municipalities to commit to a housing pledge to achieve 70,000 of the total 105,975 units by 2031 (35,000 new units in Kitchener, 16,000 new units in Waterloo, and 19,000 new units in Cambridge).

To meet the needs of current and future residents, The Region of Waterloo has set a needs-based target of 30% of all new housing to be affordable to low and moderate income households. The magnitude of the need for affordable housing now and in the future is great. Approximately 22% of existing households (47,860 households) in the Cities of Kitchener, Cambridge, Waterloo live in housing that costs more than 30% of their gross annual income , with tenant households more likely to live in unaffordable housing (36.9%) than homeowners (13.9%). An additional 31,790 new affordable units will be needed by 2051 to meet the Region's 30% affordable housing target. These statistics likely underestimate the magnitude of the housing affordability challenge – they do not account for individuals who would prefer to live on their own but who must live with family or roommates to keep housing costs down; households that would like to move to the region but can't afford to; or households that were forced to leave the region to find more affordable housing.

A portion of the new affordable housing units will need to be constructed within the region's 24 MTSAs. Access to transit is an important, often necessary, housing consideration for households with low and moderate incomes. Such households may not own personal vehicles or may choose to reduce their household costs by relying on transit rather than cars. Housing near high-quality transit can provide low and moderate income households with affordable access to jobs, shopping and amenities. In Kitchener-Cambridge-Waterloo, about 14% of lower income households use public transit compared to 4% of higher income households[i]. The creation of affordable housing within MTSAs ensures that public investments in higher order transit have the potential to benefit everyone.

Despite greater reliance of low and moderate income households on transit, areas served by high quality transit also tend to be unaffordable places to live. Public Investment in rapid transit stimulates private investment and the development of new, less affordable housing which displaces low income households. Ontario municipalities have few tools available to them to ensure the provision of some affordable housing within MTSAs. This discussion paper explores a tool called "Inclusionary Zoning" (IZ) which leverages private and public investment for the creation of affordable housing in MTSAs.

IZ as a Tool to Create Affordable Housing

IZ is a tool enabled through the Planning Act that allows municipalities to require private developers to include a certain percentage of affordable housing units within new developments containing 10 or more dwelling units and located in an MTSA. The tool can be used to create affordable rental and/or ownership units. The level of affordability, the proportion of affordable units, and the duration that those units must remain affordable are determined by the municipality based on local housing needs and market feasibility and must be set out in the IZ policy and regulations.

What differentiates IZ from other affordable housing planning tools is that it gives municipalities the authority to require - as opposed to encourage or incentivize - private developers to build affordable housing as part of their residential developments. Used in combination with other affordable housing policies and incentives, this tool has been demonstrated in the United States and other jurisdictions to be effective in providing affordable housing for certain types of households, such as working households with moderate incomes that have been priced out of the market due to rising housing costs.

IZ works by allowing municipalities to leverage the additional land value achieved through public investment (e.g. government investment in ION), increased density, development approvals and growing demand for centrally located housing near transit (and other amenities) to require the provision of affordable housing. IZ directs a portion of this enhanced land value toward the creation of affordable units. Under the right economic conditions, IZ programs can sustain themselves over the long term without reliance on government grants, although many programs do offer some form of cost offset for the developer of IZ units, such as additional density or height permissions, modified development standards, and/or fee waivers[ii].

Because IZ programs can reduce revenues for developers as a result of lower rents and sale prices for the affordable units, the programs must be carefully designed to ensure that the overall residential development continues to be financially viable for private market housing providers. Areas with strong housing markets have been found to be best suited for IZ programs. Key program considerations that affect the financial viability of IZ include:

- Set-aside rate (proportion of units or floor area of a building required to be affordable)
- Level of affordability (the discount in price or rent as compared to the market)
- Duration of affordability (the length of time an affordable unit must remain affordable)
- Tenure of affordable units (rental vs. ownership)

Where the economics of development cannot support IZ on its own, a municipality can adopt financial and planning measures to assist in the financial viability of the project. These measures can also be used to achieve greater program impact, such as increasing the set-aside rate, the level of affordability, or the duration of affordability. Measures can include financial incentives such as reducing or deferring fees and charges, and supportive planning permissions such as increased height or density, and/or reduced parking requirements. The gradual phase-in of IZ policies and/or the use of temporary financial incentives can also be used to offset development pro forma impacts until the market adjusts to the new policy framework.

Benefits and Limitations of IZ

While IZ is a promising tool to increase the amount of moderately affordable housing within stations areas, it does not replace other tools and approaches that can help address the full range of housing needs across the housing spectrum, such as emergency and temporary housing, deeply affordable housing and supportive housing. IZ has been found in other jurisdictions to be best suited for the creation of a sustainable supply of moderately affordable housing for people who can't afford market rate rents and prices, but whose incomes disqualify them for subsidized affordable housing (e.g. Region of Waterloo community housing). Used in combination with other tools and programs, such as federally and Provincially funded affordable housing, municipal grants and programs and supportive local planning policies and regulations, IZ has the potential to create a sustainable supply of affordable housing to support households that have been priced out of the housing market.

A key benefit of IZ is its potential to yield a meaningful supply of affordable housing over the long term without reliance on municipal funding or subsidies. Because IZ requires affordable units to be created within new residential developments, it is most effective in strong market areas that are experiencing residential growth. Since 2011, the fastest growing areas within the Region have been located in close proximity to a developing or established LRT stop. As much as 42% of the Region's population growth occurred in the Central Transit Corridor between 2018 and 2019 alone [ii]. Strong demand for housing within MTSAs is anticipated to continue.

Based on household growth forecasts, intensification targets and anticipated Provincial IZ regulations, an IZ program could be expected to produce approximately 60 affordable units per year in the medium term (starting in 2031) and 99 units affordable units per year over the long term across the Region. Table 1 provides a further breakdown of the anticipated annual yield of IZ units by municipality under a scenario that assumes a 2-3% set-aside rate in the medium term and a 5% set-aside rate in the long term.

Table 1. Estimated annual yield of affordable units under IZ program, by municipality

Municipality	**Total units in MTSAs* (units/year)**	**Estimated IZ units in medium term ** (units/year)**	**Estimated IZ units in long term (units/year)*****
Kitchener	698	27	35
Cambridge	741	25	37
Waterloo	532	12	27
Total	**1,971**	**60**	**99**

* Forecasted number of units within 50+ unit buildings located within MTSAs

** Forecasted number of IZ units at proposed 2031 set-aside rates averaged across MTSAs

*** Forecasted number of IZ units at max (5%) set-aside rates

An additional benefit of IZ is that it can ensure the creation of affordable units in locations that are close to services, amenities, and higher order transit. Non-profit affordable housing providers have reported challenges with acquiring land in MTSAs due to high land values and an inability to compete with private market builders. An IZ program can address this issue by ensuring that affordable housing is included in all developments of a certain size within MTSAs. To help offset the cost of providing affordable units at below market prices or rents, IZ regulations can put downward pressure on land prices, much like any other zoning regulation or site conditions that reduce development value of a property. Exemptions from development charges, community benefit charges and parkland fees for affordable units created through an IZ policy can further help offset the cost of providing affordable units. Municipalities can provide additional incentives to ensure development feasibility in certain market areas, or to achieve specific affordable housing objectives.

While IZ can't address all of the region's housing challenges, it can be used to create a sustainable supply of affordable units for moderate income households who can't afford market rents but whose incomes are too high to be eligible for subsidized housing (e.g. Region of Waterloo community housing). By increasing the supply of affordable housing for moderate income households, IZ can also help relieve the pressure on the limited subsidized housing supply by providing affordable options for households who have the desire and financial capacity to move out of subsidized housing. Used in combination with other tools, such as investments in more emergency, temporary and subsidized housing, IZ is a promising tool to support a healthier housing system

Legislative Framework

The legislative authority for IZ is included within Planning Act sections 16(4-13), 16(24.1.2-24.1.3); 16(36.1.2); 34(11.0.6); 34(19.3-19.3.1); 35.2(1-9) and Ontario regulation 232/18. Among other things it:

1. Prescribes that IZ can only be applied within approved Protected Major Transit Stations within upper tier or single tier Official Plans; or within community planning permit areas that are mandated by the Province
2. Prescribes IZ policies must be preceded by as assessment report that includes specified content and analysis and must be updated every 5 years
3. Sets out the prescribed content and details of IZ Official Plan policies and Zoning By-laws
4. Allows for by-laws and policies to include incentives and other standards that are not prescribed by the Planning Act
5. Requires municipalities to report on IZ biennially

In October 2022, the Province released proposed regulatory changes for comment. The detailed language of these regulations has yet to be released and are not yet in force and effect.

The proposed regulation would:

- Limit the set-aside rate (proportion of units that can be required to be affordable) to 5%
- Limit the maximum time period for IZ units to be maintained as affordable to 25 years
- Limit the minimum rent of IZ affordable rental units to 80% of average market rent
- Limit the minimum price of IZ affordable ownership units to 80% of average resale price.

The proposed lower threshold for IZ unit rents is below the current shared definition of affordable included in the PPS, Regional Official Plan and City Official Plans and generally align with staff's proposed approach to the maximum rent that can be charged for IZ rental units.

Currently, *Affordable* is defined as*:*

a) in the case of ownership housing, the least expensive of:

> *1. housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households; or*

2. housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area;

b) in the case of rental housing, the least expensive of:

1. a unit for which the rent does not exceed 30 percent of gross annual household income for low and moderate income households; or

2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.

The proposed minimum ownership price for IZ units is expected to be significantly higher than current shared definition of affordable from the 2020 Provincial Policy Statement, Regional and City Official Plans and has had significant impact on staff's proposed approach. Although uncertainty remains regarding the details of price and rent limits, staff expect that the Table 2 values for 2022 will be implemented by the Province.

Table 2. Affordable Rents and Prices under Current Definitions and Proposed Provincial O. Reg. 232/18

Unit type	Current PPS, ROP, OP definition of affordable	Proposed Provincial regulations maximum IZ unit price/rent
	Affordable Rent	
Bach	$1,063	$860
1BR	$1,240	$996
2BR	$1,454	$1,175
3BR	$1,470	$1,351
	Affordable Price	
	$385,500*	$512,309*

*price based on 2021 figures, rents based on 2022 figures

Details of the Partners' analysis and comments on the proposed changes are included in Kitchener Report DSD-2022-501. The recommendations in this discussion paper assume that the proposed Provincial regulation will come into force as drafted.

As of November 2022, IZ units are exempt from paying Development Charges. Recent legislative changes also exempt IZ units (prorated portion) from Community Benefits Charges and Parkland Dedication Charges but the exemptions are not yet in force.

This discussion paper outlines how each of these legislative requirements for IZ was or will be addressed. This is itemized further in Appendix 2.

MTSA Planning Framework

The Planning Act requires municipalities to delineate MTSAs in their Official Plans prior to or concurrent with the adoption of an IZ policy and by-law. In additional to delineating MTSAs, municipalities must also identify: (a) minimum density requirements (residents and jobs) planned for each station area, (b) permitted land uses, and permitted buildings or structures on lands in each station area, and (c) minimum densities for buildings and structures on lands in each station area. Prior to the Province's enactment of More Homes Built Faster Act in 2022, the Planning Act required the MTSA provisions to be addressed through the adoption of an amendment to the Region of Waterloo's Official Plan.

MTSA boundaries

MTSA boundaries were delineated by the Region of Waterloo as part of an amendment to the Region of Waterloo Official Plan (ROPA 6). ROPA 6 is now in effect, following the adoption by Regional Council in August 2022 and approval by the Minster of Municipal Affairs and Housing on April 11, 2023. ROPA 6 identifies 24 Major Transit Station Areas across Waterloo, Kitchener and Cambridge. The station areas include lands around transit stops for both Stage 1 and planned Stage 2 ION light rail transit route. Each MTSA typically includes lands within a 500 to 800 metre radius of the transit stop, representing about a 10-minute walk. Their precise boundaries are shown in Figures 1, 2, and 3.

Once changes to Provincial legislation removing the Region of Waterloo's planning responsibilities come into effect, lower tier municipalities will be required adopt the MTSA provisions directly within their own official plans to implement IZ. Based on communications with MMAH, staff anticipate that the timing for removal of the Region's planning authority will be winter 2024 at the earliest. The amended official plans would then require approval by the Minister of Municipal Affairs and Housing (MMAH) before the plan and any IZ policies can be implemented. Until such time as these changes are in effect, the Minister's approval of ROPA 6 enables IZ across all 24 MTSAs.

MTSA minimum required densities

In addition to delineating MTSA boundaries, ROPA 6 includes minimum density requirements for each station area. All but three MTSAs are required to plan to achieve a minimum density of 160 residents and jobs per hectare. In many MTSAs, the planned density would enable significant residential growth to occur in medium and high density buildings where IZ can apply.

Permitted land uses, buildings and structures and associated densities within MTSAs

The Cities of Kitchener, Cambridge and Waterloo will be required to identify the permitted land uses, buildings and structures, and the minimum densities for those buildings and structures within each designated MTSA. While some of these requirements are already in place through existing Official Plans and zoning by-laws, the Cities will need to review the current permitted uses in the context of the minimum required densities in each MTSA and amend their planning frameworks if necessary to meet the targets.

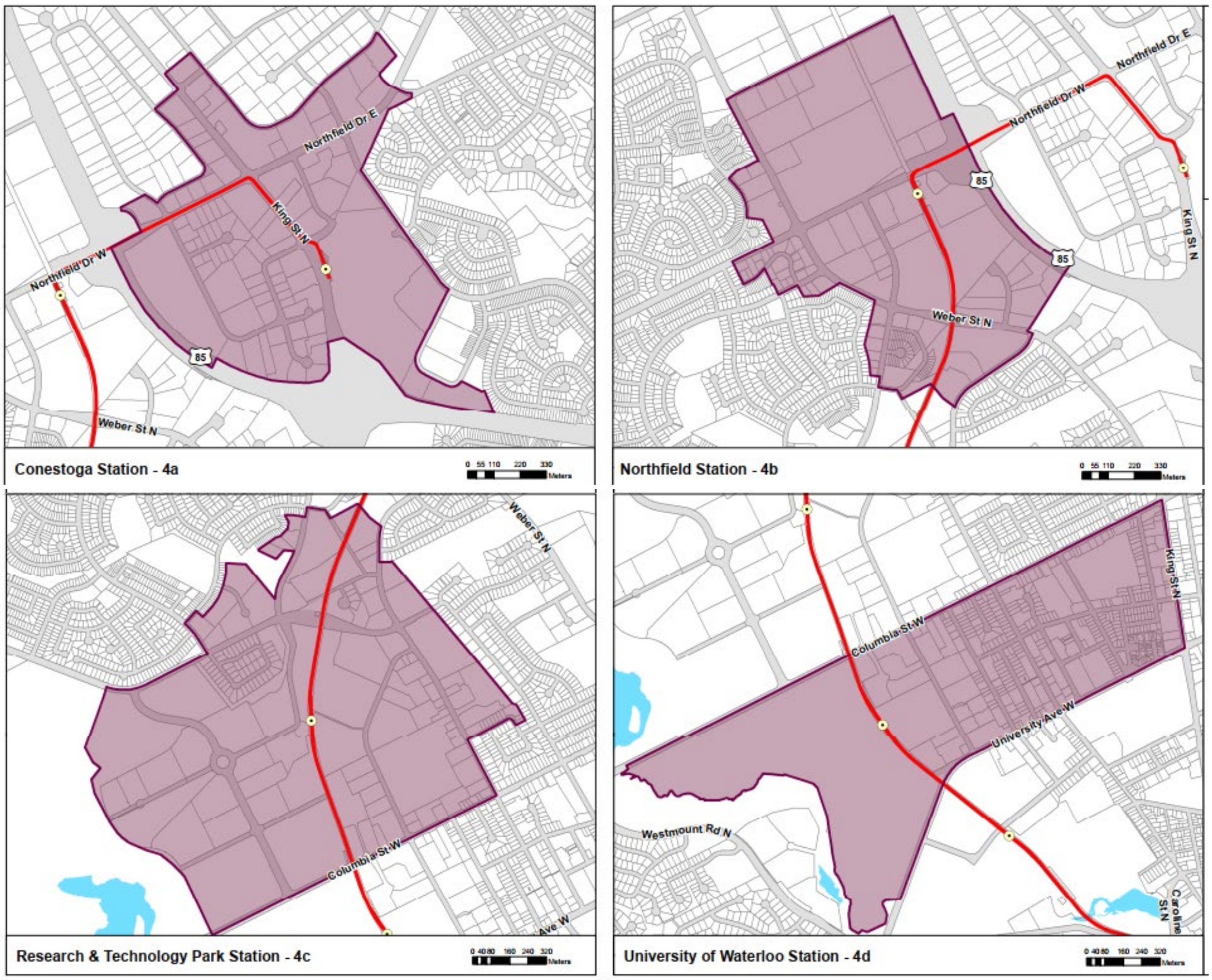
City of Waterloo

City of Waterloo contains eight MTSAs.

1. Conestoga

2. Northfield
3. Research & Technology Park
4. University of Waterloo
5. Laurier - Waterloo Park
6. Waterloo Public Square
7. Willis Way
8. Allen

Figure 1. City of Waterloo MTSAs as per the Region of Waterloo Official Plan



Waterloo City Council adopted Station Area Plans for five of the eight MTSAs (Conestoga, Northfield, R&T Park, University of Waterloo and Laurier-Waterloo Park) and incorporated these areas into the Official Plan in 2017 (Region of Waterloo approval in 2018). The remaining MTSAs are located within the City's Urban Growth Centre and were deemed to already have a robust planning framework to support intensification and a mix of uses, including residential uses. An updated Zoning By-law was approved in 2018 to reflect the changes introduced through the Station Area Plans.

Opportunities for residential development and the application of IZ is constrained in a number of Waterloo's MTSAs due to limited land available for residential uses. A significant proportion of the lands within the Northfield, the Research and Technology Park and the University of Waterloo MTSAs are designated for employment which prohibits residential uses. Employment lands and open space make up a large proportion of the Laurier - Waterloo Park MTSA. The MTSAs with the greatest potential for new residential development are Conestoga, Waterloo Public Square and Willis Way and Allen. The R&T Park, Northfield and Conestoga MTSAs may have additional potential for a mix of uses that include residential uses, subject to a review of employment lands that have been removed from the Regional Employment lands as part of a recent Municipal Comprehensive Review.

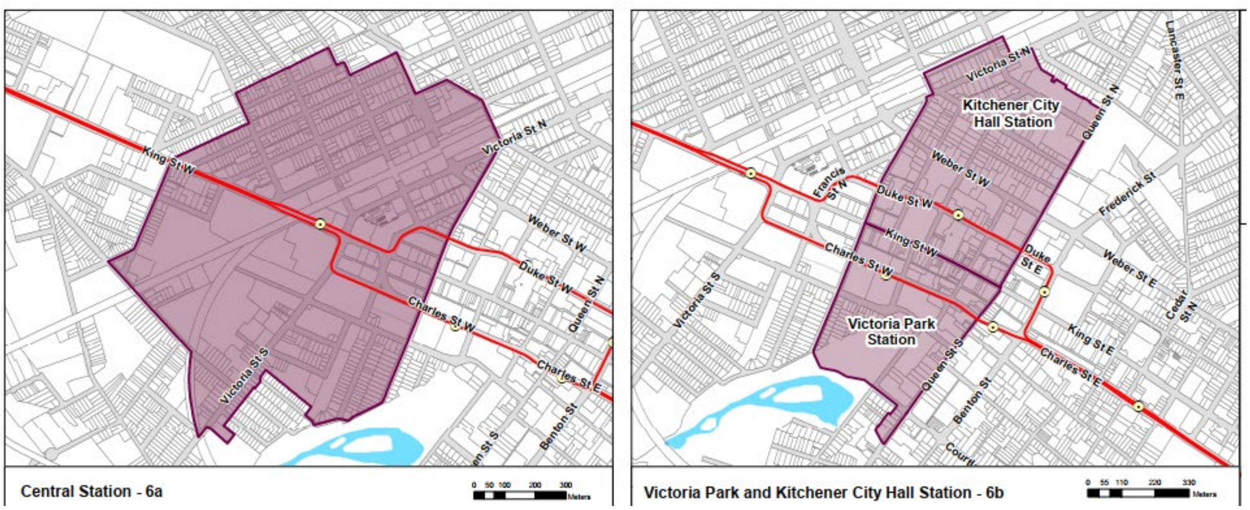
Potential timing for the adoption of an IZ Policy and zoning regulation would align with the City's review and update of its Official Plan. These updates will include amendments to the station area boundaries and the addition of the 3 Uptown station areas, in accordance with ROPA 6. Updates to the Official Plan are proposed to be brought to council in three phases, starting the fall 2023 and continuing into 2024. Detailed timing for the release of updated MTSA policies is outlined in Table 3.

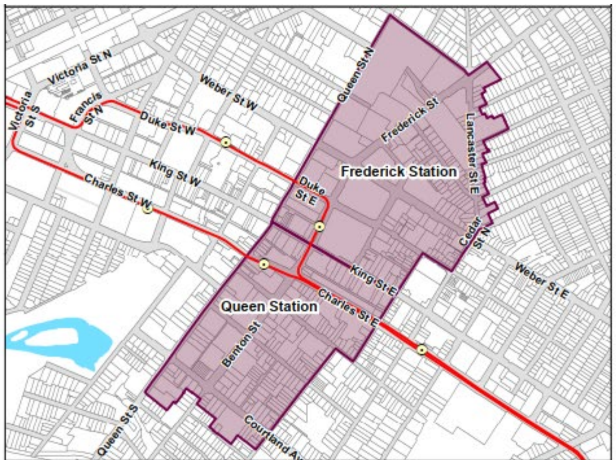
City of Kitchener

The City of Kitchener has 12 transit stops and 10 MTSAs

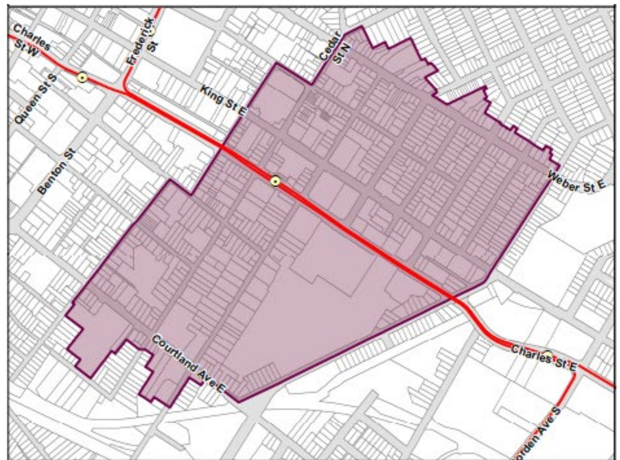
1. Grant River Hospital
2. Central Station
3. Victoria Park/Kitchener City Hall
4. Queen/Fredrick
5. Kitchener Market
6. Borden
7. Mill
8. Block Line
9. Fairway
10. Sportsworld (planned for Phase 2 Ion)

Figure 2. City of Kitchener MTSAs as per the Region of Waterloo Official Plan

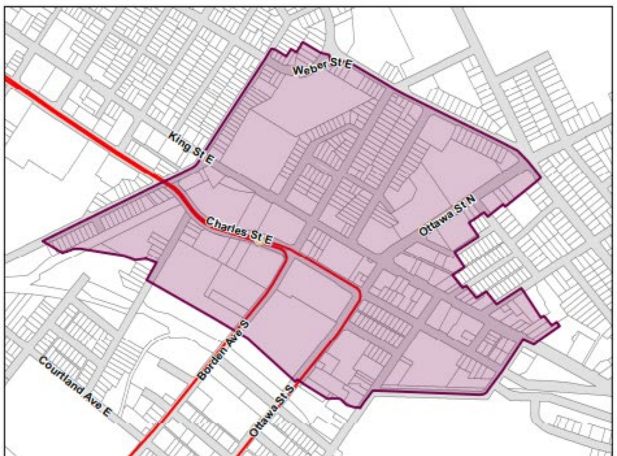




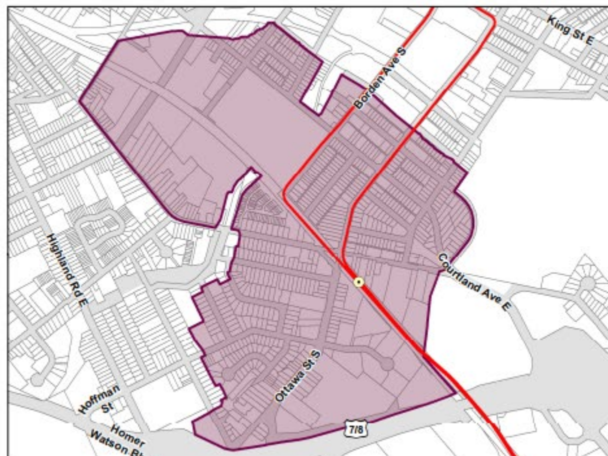
Queen and Frederick Station - 6c



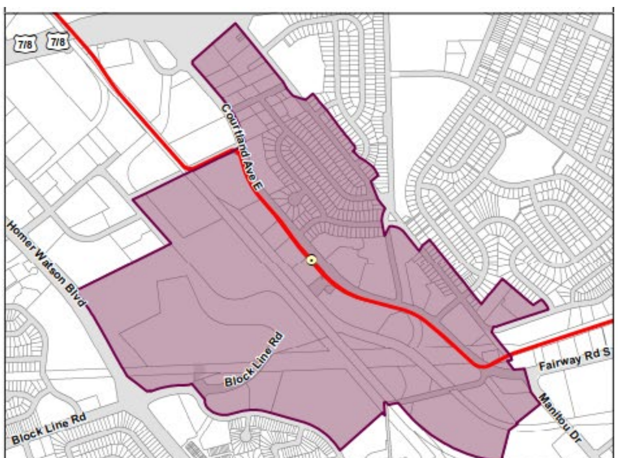
Kitchener Market Station - 6d



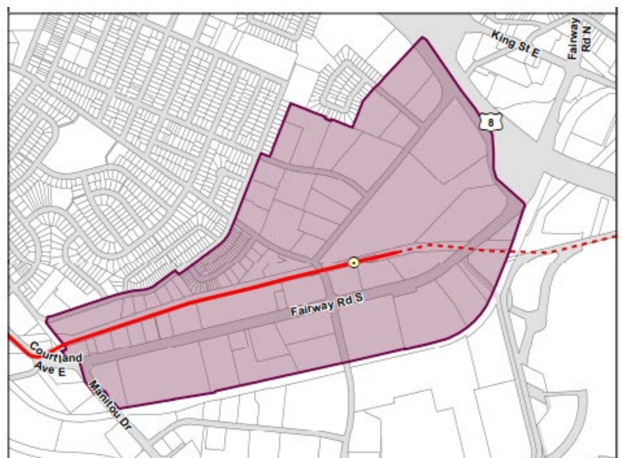
Borden Station - 7a



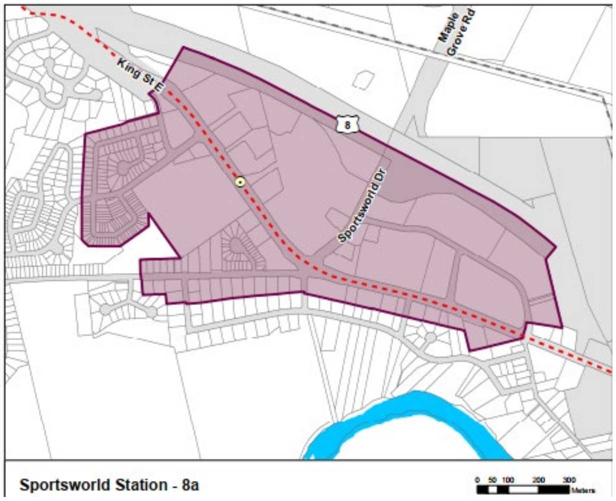
Mill Station - 7b



Blockline Station - 7c



Fairway Station - 7d



Kitchener's MTSAs have been established through the approval of the ROPA 6. Kitchener has launched Growing Together to update Kitchener's planning framework in MTSAs in station areas 1-7. Growing Together is the continuation of the ongoing planning review process that began with Planning Around Rapid Transit Stations (PARTS) and advanced through the Neighbourhood Planning Review (NPR) project. This work builds upon PARTS and NPR while also responding to new direction from the Province, implementing the updated Regional Official Plan, and addressing new and emerging City priorities.

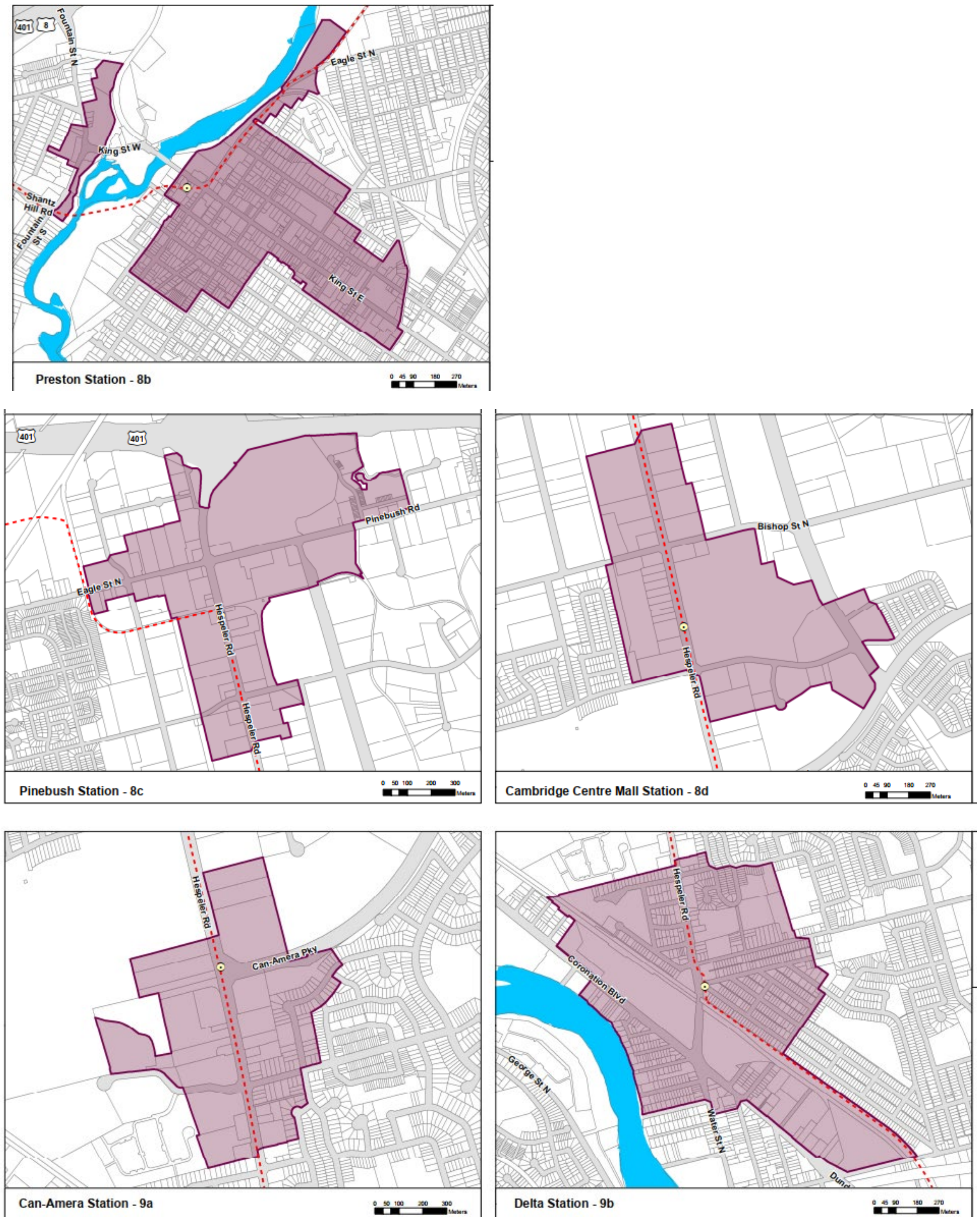
City staff plan to coordinate IZ amendments as part of Growing Together, which will be presented to council by the end of 2023 for approval. The timing of updating statutory planning documents for station areas 8-10 has yet to be determined.

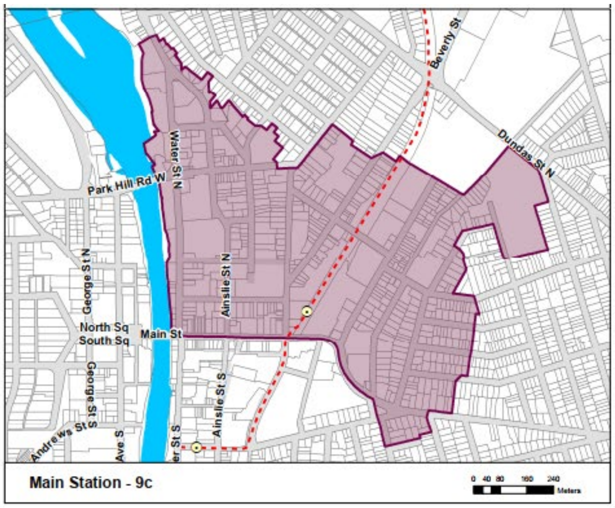
City of Cambridge

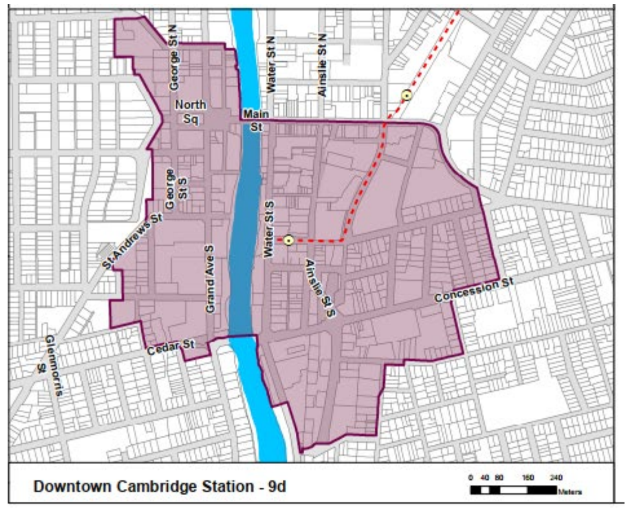
The City of Cambridge contains seven proposed transit stops and seven MTSAs.

1. Preston
2. Pinebush
3. Cambridge Centre Mall
4. Can-Amera
5. Delta
6. Main
7. Downtown Cambridge

Figure 3. City of Cambridge MTSAs as per the Region of Waterloo Official Plan







The City of Cambridge is currently working on secondary plans for the three core areas (Galt, Hespeler and Preston) as well as identified nodes and corridors within the city. The secondary plans encompass all seven MTSAs and will include policies to facilitate IZ.

Opportunities for residential development and the application of IZ is constrained in two of the MTSAs within the Urban Growth Centre due to existing and proposed restrictions related to heritage conservation as well as flood plain and a floodplain special policy area. The remaining MTSA areas are generally surrounded by a mix of designations permitting multiple residential, commercial and some employment uses. There are opportunities in the form of vacant and underutilized properties within the MTSA areas that would allow for a significant increase in density with potential for a higher number of units through IZ.

Table 3. Milestones for Delineating MTSAs to enable IZ

Milestone	Cambridge	Waterloo	Kitchener
MTSA boundaries delineated in City OPs	Anticipated Q4 2023 for Pinebush, Cambridge Centre Mall and Can-Amera. Timing on remaining MTSAs TBD.	Anticipated Q4 2023 for MTSAs 6-8. MTSAs 1-5 already delineated in OP.	Anticipated Q4 2023 for MTSAs 1-7. Timing on MTSAs 8-10 TBD.
MTSA density targets in P+J/ha in City OPs	Anticipated Q4 2023 for Pinebush, Cambridge Centre Mall and Can-Amera. Timing on remaining MTSAs TBD.	Completed.	Anticipated Q4 2023 for MTSAs 1-7. Timing on MTSAs 8-10 TBD.
City OP policies regarding permitted uses	Anticipated Q4 2023 for Pinebush, Cambridge Centre Mall and Can-Amera. Timing on remaining MTSAs TBD.	Completed. Some updates anticipated Q4.	Anticipated Q4 2023 for MTSAs 1-7. Timing on MTSAs 8-10 TBD.

Milestone	Cambridge	Waterloo	Kitchener
City OP minimum densities applying to buildings and land	Anticipated Q4 2023 for Pinebush, Cambridge Centre Mall and Can-Amera. Timing on remaining MTSAs TBD.	Completed. Some updates anticipated Q4.	Anticipated Q4 2023 for MTSAs 1-7. Timing on MTSAs 8-10 TBD.
IZ policies and zoning approved by Cities	Coordinated with Secondary Plans Q4 2023-Q4 2024.	Coordinated with OP updates Q4 2023 – Q4 2024.	Coordinated with MTSA OP and Zoning. Anticipated Q4 2023.

Assessment Report

Certain studies and analyses are required prior to adopting an IZ policy and by-law, the contents of which are set out in Ontario Regulation 18/232 under the Planning Act. These analyses are to be included in an assessment report and considered in the development of Official Plan policies and regulations that implement IZ.

The assessment report must contain:

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

The Cities of Kitchener and Waterloo have each developed a housing assessment containing an analysis of items 1-5. The Kitchener Housing Needs Assessment was presented to Kitchener Council in 2020 as background to Housing For All in report DSD-20-006. Waterloo's Housing Needs and Demand Analysis was presented to Waterloo Council in 2020 as part of report IPPW2020-071. An update report (21-

130(CD)) to Cambridge Council in 2021 directed staff to undertake a Housing Needs Assessment. Cambridge will be initiating this work in 2024.

In partnership with the Region of Waterloo, the Cities of Kitchener Cambridge and Waterloo contracted land economists N. Barry Lyon Consultants Limited (NBLC) to carry out an IZ Financial Impact Study[iii] (item 6), and urbanMetrics to provide a peer review of the study[iv] (item 7). The Financial Impact Assessment included a model that tested various policy parameters across a number of MTSAs to determine the impact of these parameters on the achievement of affordable IZ units and development feasibility. Policy parameters included set-aside rate, duration of affordability, depth of affordability, tenure of affordable units. The Financial Impact Assessment and peer review were presented to Kitchener city council through report #DSD-20-150, Waterloo city council through report IPPW2020-071 and Cambridge city council through report 21-130(CD). NBLC was contracted in 2022 to update the financial model to reflect changes in material and labour costs and changes to the housing market. A memo outlining the update and approach is included as an attachment to this report. This model update was prepared with support from the Province of Ontario through the Streamlined Development Approval Fund. The views expressed in the publication do not necessarily reflect those of the Province.

IZ Policy Parameters

IZ programs can vary widely across a range of policy parameters. Key policy parameters that influence both the viability and effectiveness of an IZ policy include:

- Set-aside rate (proportion of units or floor area of a building required to be affordable)
- Level of affordability (the discount in price or rent as compared to the market)
- Duration of affordability (the length of time an affordable unit must remain affordable)
- Tenure of affordable IZ units (rental vs. ownership)

Additional policy parameters could include:

- Unit size and number of bedrooms
- Location within projects
- Design criteria
- Timing of construction and occupancy
- Exemptions
- Offsite units
- Accessibility
- Incentives and offsets

The subsequent sections describe the pro forma model, best practice review and affordability assessments used to assess the housing and financial impacts of an IZ policy under a range of policy scenarios and subject to a range of different parameters (above).

Evaluation of Financial Impacts of IZ

In 2020 the Partners hired N. Barry Lyon Consultants Limited to carry out a financial impact study as required by the Planning Act and regulations. The study explains that IZ works by leveraging the value created through increases in density, development approvals, investment in LRT and increasing demand for centrally located housing and directing some of that value toward the creation of affordable housing. In this way IZ programs can be designed to work without government subsidies.

Because IZ programs result in lower revenues for developers through lower rents or sales prices than would otherwise be the case, the Provincial legislation requires that IZ programs be designed to ensure that residential development continues to be financially viable for private market housing providers. Key policy parameters that affect the achievement of affordable housing objectives and influence development feasibility include:

- Set-aside rate (proportion of units required to be affordable);
- Duration of affordability (how long affordability must be maintained);
- Level of Affordability (maximum IZ unit rents and prices), and
- Tenure of affordable units (rental vs. ownership).

NBLC's financial impact study uses an approach called Residual Land Value (RLV) analysis to test if prototypical residential projects in a sample of 10 MTSAs across the Region are viable across several policy scenarios. The policy scenarios tested the impacts of the key parameters above, along with other factors (e.g. lot size, building heights, incentives). The analysis was based on the following principles:

1. **Affordability –** Secure affordable housing that is not otherwise being provided by the market.
2. **Partner with development community –** To achieve housing targets the Cities need developers to build new affordable units under IZ. Residential development projects must continue to be viable.
3. **Minimize land market disruption –** Provide early signals and transition time for the land market to adjust to IZ
4. **Long term sustainability –** IZ policy should be viable without financial incentives. Incentives may be used to achieve affordability objective beyond what is supported by land economics

Study highlights include:

- The costs of IZ cannot be passed onto the market rate units in a building through higher prices/rents because developers are already pricing units as high as the market will bear.
- Developer profits are not reduced under IZ. Without the prospect for sufficient profit, developers will not be motivated to build.
- Instead, an IZ policy will put downward pressure on land value.
- If an IZ policy is too onerous, land value will be reduced by too much, so a residential redevelopment project cannot displace the existing land use and will not be viable.
- A modest and carefully designed IZ policy is financially viable in the near term in some MTSAs with the strongest residential market conditions.
- MTSAs are not all equally capable of delivering new units. A robust IZ policy was viable in a few MTSAs but not others. A geographically uniform approach to IZ is not recommended. Instead, the initial focus of IZ should be on MTSAs with strong residential markets.
- In weaker submarkets, the policy framework should be set up now, with very low affordability requirements in the near term. These requirements can increase gradually as weak submarkets improve. IZ can deliver a modest but meaningful number of affordable units in the near term. There is significant

value however in setting up an IZ framework to prepare for a more ambitious policy as development economics improve in the future. Frequent monitoring and adjustment of an IZ policy is critical.

- The Cities should provide an early signal to residential developers and MTSA landowners that an IZ policy is coming. When coupled with transition policies, this approach provides time for the market to adjust to an IZ policy and minimize land market disruption.

UrbanMetrics undertook a peer review of NBLC’s study as required by the regulation. Their review was supportive of NBLC’s approach and findings.

The above analysis is based on January 2020 data. There has been rapid change in the housing market since that time, and the Partners identified a need to update the analysis. The Partners retained NBLC to update the financial modeling to include all 24 MTSAs using Q3 2022 revenues, costs and macroeconomic changes. This work was partially supported by the Provincial Streamlined Development approvals fund. The deliverable of this work was a dashboard that the Partners have used to test the impact on financial viability of different policy parameters, cost and revenue assumptions, affordability levels, fee exemptions, incentives, etc. The key findings of the update is that development economics are for more challenging now than in early 2020, primarily due to higher construction costs and interest rates. More locations and types of development are now no longer viable even without an IZ requirement.

The model compares the development value to the value of the land based on its existing use. This is shown conceptually in Figure 4. Where the development value is higher than the existing use value, development is likely to be viable. IZ policy requirements put downward pressure on development value and if too stringent can make development unviable. This would reduce the supply of new housing and is an undesirable policy outcome. The degree of change in development value in response to IZ requirements is also important.

The development value is negative in all cases but condominium developments in prime market areas. The fundamentals of site development economics are extremely challenging as compared to the past decade. Accordingly, a modest IZ policy approach is recommended. Low set-aside rates in the short term, with comparatively small impacts on development viability, are recommended for established and emerging station areas to send clear signals to the market that IZ units will be required once market conditions improve. Establishing a program of set-aside rates now will ensure that the program’s requirements are taken into consideration in land transactions and will help reduce market disruptions.

The analysis cannot capture certain nuances arising from the nature of a historical land purchase or the capitalization of land costs through the operation of an income-generating use. Nor can it contemplate the acquisition of land at speculative values, not fully appreciating the magnitude of impacts from future policy adjustments. Similarly, this analysis cannot account for all potential variations in the value of alternative land uses in a given area. Actual valuations will vary from property to property according to a wide range of site conditions and incumbent landowner expectations. Nevertheless, the model is a helpful tool for evaluating the development economic and housing supply implications of an IZ policy.

Figure 4. Example of Development and Existing Use Land Value Across Different IZ Policy Options

Set-Aside Rate

What does this concept mean?

A set-aside rate refers to the proportion of a market rate building that is required to be affordable. The rate can be calculated as either the proportion of affordable units out of the total number of units in a building, or the proportion of gross floor area dedicated to the affordable units out of the total gross floor area of a building. Draft regulations have been proposed by the Province to limit the set-aside rate to 5%.

What are best practices/options we have seen in other communities?

Set-aside rates vary widely across jurisdictions. Toronto and Mississauga have set-aside rates ranging from 5-10% of gross floor area, although these programs will need to be modified to meet Provincial regulations, if amended. US IZ policies tend to have higher set-asides. In some US programs, the provision of IZ units is voluntary and higher set-asides are required when associated with site specific zoning amendments to permit higher heights and densities than would normally be permitted.

What does the financial model tell us?

The financial model shows that the set-aside rate is one of the most impactful policy levers on project viability. High set-aside rates reduce project revenue, and in turn reduce the development value of a property. If the development value drops below the value of the property under its current use, a property owner would no longer be motivated to sell, which could limit transactions in the market for the development of new medium and high density residential buildings in MTSAs. Should a developer purchase lands at a value that is higher than the true development value of the property, the lost revenues due to IZ cannot easily be offset and the project may no longer be economically viable. Market forces in early 2023 make development economics a challenge. Residual land values for high rise condominiums are generally high enough to displace current land uses in prime MTSAs without the requirement for IZ units. However, weaker submarkets and rental development typically do not typically generate sufficient value to displace the current uses, even without IZ. Staff propose a low set-aside rate that comes into force gradually so that affordable units can be delivered as the various markets mature, and so that developers and landowners can plan for the impact of IZ.

What we heard

Feedback from both the Waterloo Region Home Builders Association and infill-focused developers included a preference for a cautious and conservative approach to set-aside rates to limit potential impact of reduced revenues on a development. They were concerned that IZ may not have the intended effect of putting downward pressure on land values and could instead put upward pressure on the rents/prices of market units or reduce the financial viability of development. They provided strong support for a phased implementation of set-aside rates in order to allow time to build these requirements into their investment decisions and to minimize land market disruption.

Individuals representing housing advocacy groups and members of the public generally supported maximizing set-aside rates, including rates that exceeded the 5%, although some shared the same concerns with the development industry regarding the possibility that high set-aside rates could put upward pressure on the cost of market units.

Recommendations

1. Adopt set-aside rates that are proportionate to the strength of the market within each MTSA ranging from 3-5% by 2031, with a plan to maximize the number of affordable units in the long term. Set-aside rates should be tailored to the market strength of the MTSA/submarket where they apply. Setting a uniform set-aside rate, either across or within municipalities, risks stifling development. This could prevent the development of much needed market-rate housing.
2. Set-aside rates should be calculated as a percentage of the gross salable area (GSA) or gross leasable residential areas (GLA) of a development rather than percentage of units[2]. This approach could provide flexibility to developers to determine the number of affordable units and bedrooms, while ensuring a consistent proportion of a development is dedicated to affordable units.
3. Where the set-aside calculation would result in the requirement for less than 57 m^2 of GLA/GSA for IZ units, no IZ units should be required. This area represents the average unit size.
4. Set-aside rates should start low and gradually increase to minimize land market disruption, allow time for the developers to build IZ requirements into pro forma, improve policy acceptance and reduce risks for negative impacts on the supply of new units. Transitions are important in all markets including prime market areas where land transaction prices are close to the modeled redevelopment land values. It will take time for the land market to adjust to the downward pressure put on land value by the IZ program.
5. Adopt a set-aside rate that considers the tradeoffs between the other key policy levers (depth, tenure and duration of affordability).
6. Monitor the performance of the IZ program frequently and tune policy requirements, including the set-aside rate, as required.

[2] Staff understand the GLA and GSA to be consistent but clearer than the Provincial terminology of “gross floor area to be occupied by affordable housing units”

Table 4. Recommended Set-aside Rates

Station Area	2024-2026 occupancy	2027-2029 occupancy	2030+ occupancy
Prime • University of Waterloo • Central Station • Victoria Park/Kitchener City Hall • Queen/Fredrick • Kitchener Market • Downtown Cambridge • Main	2%	3%	5%
Established • Conestoga • Waterloo Public Square • Willis Way • Allen • Grand River Hospital	1%	2%	3%
Emerging • Borden • Mill • Fairway • Sportsworld • Pinebush • Cambridge Centre Mall • Can-Amera • Delta	0%	1%	2%

Nuances to reflect different planning frameworks across the three cities are considered in the Incentives and Offsets section of this report.

Level of Affordability (Maximum Rent or Price)

What does this concept mean?

The definition for affordable housing is shifting as a result of newly introduced Provincial policy, legislation and draft regulations, and these shifts will have implications for any IZ policy adopted by the Partners. Broadly, the Canadian Mortgage and Housing Corporation (CMHC) defines affordable housing as housing for which the cost doesn't exceed 30% of a household's pre-tax income. A similar but more nuanced Provincial definition for affordable housing is contained within the current Provincial Policy Statement 2020, however this definition is proposed to be eliminated from the Provincial Planning Statement as per a draft released in the spring of 2023. Draft regulations for IZ released by the Province in October 2022 propose a market-based rather than income-based definition for affordable housing and set a maximum rather than minimum level of affordability. Affordable housing under the draft IZ regulations is limited to:

- Rental units with rents at or above 80% of average market rent

- Ownership units at or above 80% of the average resale price.

The final regulations have yet to be released and they are not yet in force and effect. However, staff assume that the regulations enacted by the Province will bring forward the proposed limits on affordable unit rents and prices and that any future IZ framework will need to align with these limits.

Average re-sale prices in each regional market area are currently gathered by the Province using data from Real Property Solutions. Average Market Rent (AMR) in each regional market area is calculated yearly by CMHC through their annual rent survey. Average Market Rent (AMR) represents the rents across the entire private rental housing stock and includes older stock and units rented below market due to rent control. Rents in new market developments are significantly higher than AMR. NBLC's primary research found that rents in new development in MTSAs were $2.75-$3.30 per square foot. This is approximately $700/mo more than AMR. CMHC rental market survey data from 2022 revealed that AMR is about $500- $700 per month lower than what a renter would expect to pay for a vacant unit[i].

[i] CMHC. (2023). Rental Market Survey Data Tables for Kitchener-Cambridge-Waterloo. October 2022. URL: https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/rental-market-report-data-tables

The Province has signaled that they will continue to provide these values through the release of an annual housing bulletin to assist in the determination of affordable rents and prices.

A comparison of affordable rents and prices under the current PPS framework, and the proposed regulations are shown in Table 2. Minimum rents for IZ units under the proposed Provincial regulations are lower than what could be considered affordable under the current definition of affordable in the 2020 PPS and the shared definition of affordable in the Region of Waterloo Official Plan and City Official Plans. These rents would be affordable to low (bachelor only) and moderate income renter households (Figure 5). Moderate income renter households (calculated as the 40^{th}-60^{th} percentile of incomes across *renter* households) earned $40,400-58,900 in 2021. Affordable rent for these households would be a maximum of $1,010-$1,490.

Minimum ownership prices for IZ units would be affordable only to households in the top 20% of the regional household income range (Figure 6) and would not meet the definition of affordable in the 2020 PPS. The minimum affordable home ownership price under the proposed IZ regulations would exceed the affordable threshold (30% of household income) for moderate income households (calculated as the 40^{th}-60^{th} percentile of incomes across *all* households) who earned $71,100 – 104,800 in 2021.

Figure 5. Affordability of 80% Average Market Rents to Low, Medium and High Income Households (bars represent rents at 30% of a household's gross annual income)

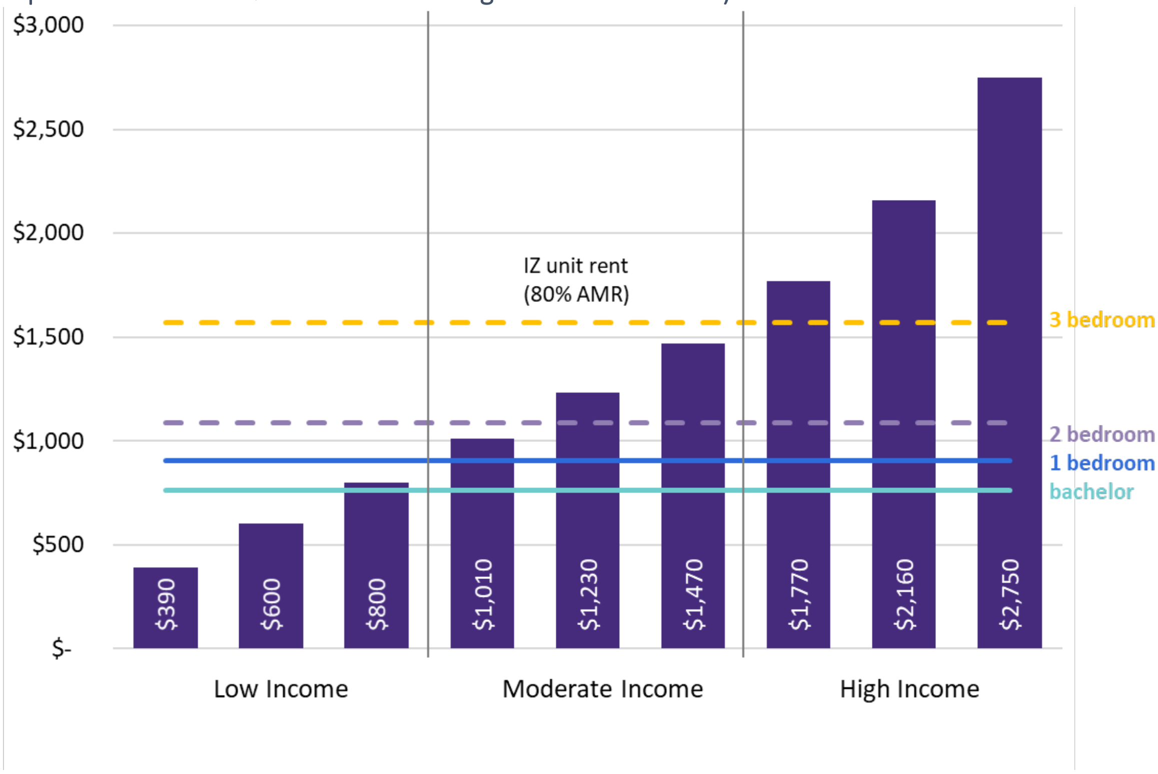
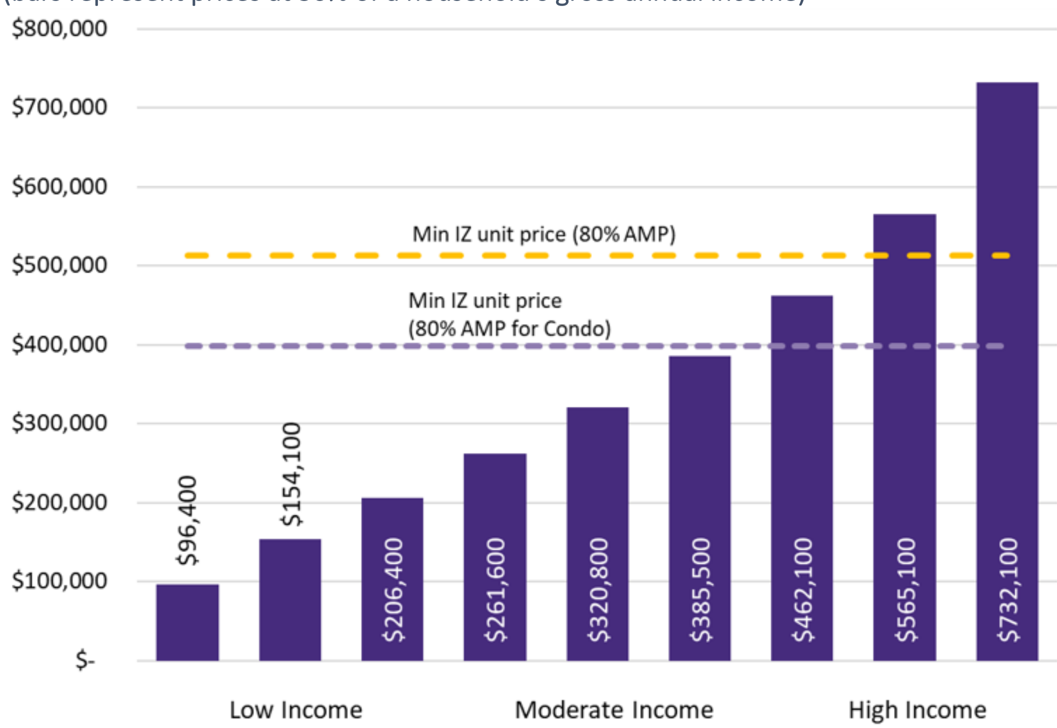


Figure 6. Affordability of 80% Average Market Resale Price to Low, Medium and High Income Households (bars represent prices at 30% of a household's gross annual income)



What are best practices/options we have seen in other communities?

In accordance with the PPS 2020, the Cities of Toronto and Mississauga adopted an income and market-based definition for affordability. These definitions, along with many other income-based definitions used in US jurisdictions, would no longer be possible under the proposed new Provincial regulations, since they include a requirement for some rents to be lower than 80% AMR. The City of Ottawa's draft framework adapted the PPS definition to focus on only moderate income households, which could be feasible under the draft regulations provided that the final rent is no lower than 80% AMR.

Notwithstanding the proposed market-based definition of affordability and limits on the level of affordability, there may still be an opportunity for IZ to target households who face significant housing changes. An IZ program could set minimum IZ unit rents for different unit sizes and establish eligibility requirements for each based on household characteristics (e.g., household income and sizes). This approach could help ensure that larger households with low per capita incomes are matched with correctly sized affordable units and that smaller households can't occupy units with an excess number of bedrooms. A similar approach was used in the City of Toronto's IZ program, as follows:

"Affordable rental housing and affordable rents means housing where the total monthly shelter cost (gross monthly rent, inclusive of utilities for heat, hydro, hot water and water) is at or below the lesser of one times the average City of Toronto rent, by dwelling unit type, as reported annually by the Canada Mortgage and Housing Corporation, or 30 percent of the before-tax monthly income of renter households in the City of Toronto as follows:

- Studio units: one-person households at or below the 50th percentile income;
- One-bedroom units: one-person households at or below the 60th percentile income;
- Two-bedroom units: two-person households at or below the 60th percentile income; and
- Three-bedroom units: three-person households at or below the 60th percentile income."

A scan of American jurisdictions showed that the vast majority of IZ programs targeted affordability toward 51-80% of area median income. In 2021 Waterloo Region's area median income (AMI) across all household sizes was $87,200. The Affordable rent at 50% of AMI would be $1,090/mo. The Affordable rent at 80% AMI would be $1,744. Based on 2021 incomes, the proposed Provincial limits and definition for affordable rents for bachelor and one-bedroom units would fall below 50% AMI, while affordable rents for two- and three-bedroom units would fall between 51% and 80% AMI.

What does the financial model tell us?

Like set-aside rates, unit rents and prices are another policy lever that can have a significant impact on the financial viability of IZ. NBLC financial modelling shows improved viability of an IZ program under a 100% AMR scenario (rather than 80% AMR scenario). IZ unit rents at 100% AMR would continue to be affordable to moderate income renters. If rent increases continue to outpace renter incomes, the proposed rent (100% AMR) and Provincially proposed minimum rent (80% AMR) could become unaffordable to moderate income renters. The Partners should continue to monitor affordability levels to ensure IZ rental units remain affordable to moderate income renters.

What we heard

Development industry representatives expressed concerns about potential impacts of very low IZ rents or prices on pro forma. They generally expressed a preference for an IZ program to focus on moderate rather than deeply affordable units to manage these impacts. Some developers expressed concern that if IZ unit rents were too low, it could present marketing and operational challenges in a mixed income building.

Builders of purpose-built rental housing communicated that alignment with CMHC funding programs could help them deliver IZ units in a financially feasible way. CMHC's Mortgage Loan Insurance (MLI select) is a key program that is commonly used to deliver mixed income buildings with attractive loan terms. MLI select requires developers to provide a certain percentage of units to rent at 30% of median renter income. We also heard from most stakeholders that CMHCs' Average Market Rent (which is based on an average of the rents of both occupied units [some of which are subject to rent control], and vacant units) is typically much lower than the average rents of vacant units alone. Since the former calculation does not reflect the rents needed for an adequate return, development industry stakeholders did not prefer the AMR method for setting rents.

Members of the broader community expressed a strong preference for deeply affordable units that would support households in the low and very low income range. Despite frustrations around the limitations of IZ to create deeply affordable units, some community members recognized value in creating moderately affordable units in areas well service by transit and as a low-cost tool to enable movement of households through the housing system.

Recommendations

- Rental should be the only tenure for affordable units in an IZ program. Under the proposed Provincial regulations, the minimum IZ ownership unit price would be $512,309 in 2021. This price is only affordable to high income households making $125,600 or more in 2021, and who are relatively well served by the market (See Tenure). This income range is not identified as an area of need by either Kitchener's or Waterloo's housing needs assessments.
- Staff recommend that the minimum affordable rent for an IZ unit be 100% AMR rather than the anticipated Provincial minimum of 80% AMR. 100% AMR is far below the rents that are typically charged in new purpose-built rental buildings or rented condominiums and below the rents that tenants must pay for new tenancies of old stock. 100% AMR would provide affordable rental housing to moderate income renter households making $40,400-58,900 in 2021. Furthermore, while low income households are in deepest need, the viability of an IZ program is significantly improved at moderate rather than low rents. Core housing need is not only a problem for low income households, both also for moderate income households, particularly those households that are large or that support extended family. Further, developers foresee significant operational challenges in mixed income buildings marketed towards low income households.
- An IZ program should work alongside (not instead of) government programs that support more deeply affordable housing. Providing more units that are affordable to moderate income households through IZ can indirectly benefit all low and moderate income households though increasingthe supply of affordable units. Providing affordable housing to moderate income households will help reduce pressure on market and non-market units that are affordable to low income households.

Figure 7. Affordability of 100% Average Market Rents to Low, Medium and High Income Households (bars represent rents at 30% of a household gross annual income)

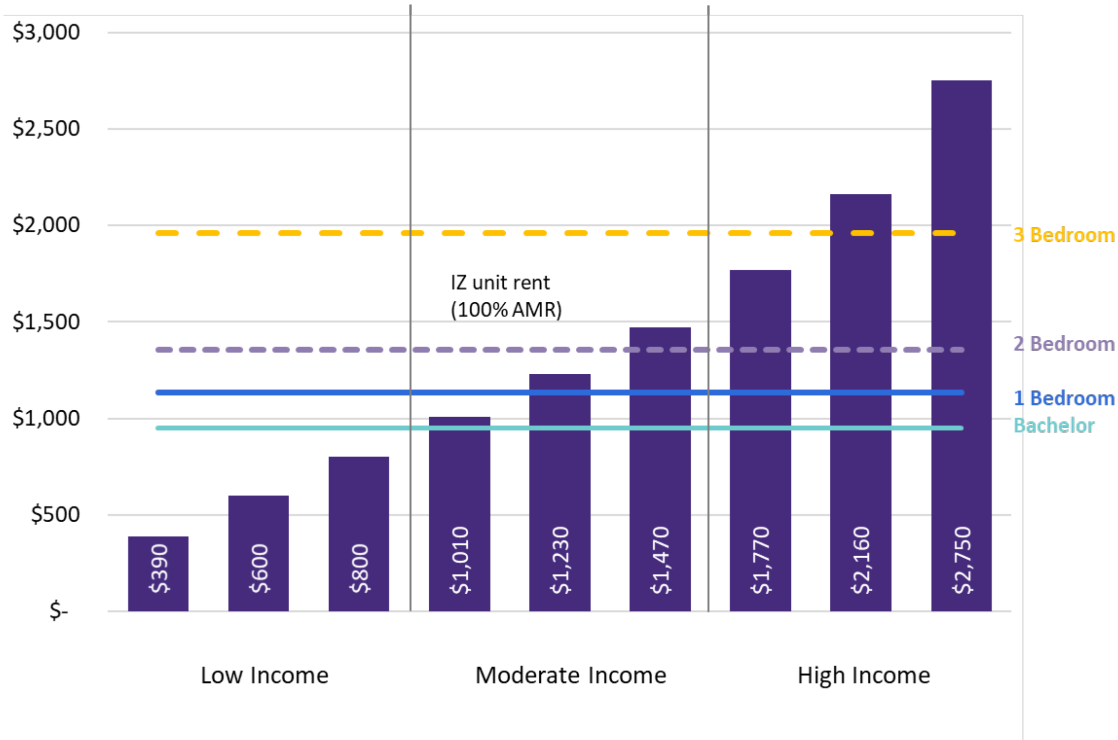


Table 5. Comparison of incomes and affordable rents based on Ministry of Municipal Affairs and Housing (MMAH) and Canadian Mortgage and Housing Corporation (CMHC) definitions and program criteria

Renter Household Income distribution	MMAH 2021 income (census derived)	MMAH Affordable rent (30% of income)	CMHC renter median income (CMHC MLI select criteria)	CMHC Affordable rent (30% of income)
40th percentile	$40,400	$1,010	N/A	N/A
50th percentile[3] (median)	$49,200	$1,230	$57,000	$1,425
60th percentile	$58,900	$1,490	N/A	N/A

- Staff recommend that the maximum rent charged for IZ units in condominiums be set at 100% of average market rent. The rent for IZ units in purpose-built rental buildings should be the greater of MLI select rent (currently $1,425) or 100% of average market rent. Bachelor-2 bedrooms would be affordable to moderate income renters. 3 bedrooms would be slightly above the affordability threshold for moderate income renters but would be affordable to

[3] Discrepancies in median income are primarily due to different data sources (Census for MMAH and Canadian Income Survey and Survey of Labor and Income Dynamics for CMHC. Both are reputable Statistics Canada data sources)

moderate income households considered across the income distribution of all types of households. Although these higher rents for three bedroom units are not ideal from an affordability needs perspective, they help mitigate the financial disincentives to build three bedroom units. Proposed income criteria would ensure that these units be rented to moderate income households, but they could be spending more than 30% of income on housing. Condominium fees, property taxes, insurance and maintenance should be the owner's responsibility. Utilities and parking spaces tent could be in addition to the maximum permitted rent.

Table 6. Recommended Maximum Rents for IZ units

Unit Type	**2022 Maximum Rent for Affordable Rental Unit**	
Unit Type	**Purpose-built Rental Building***	**Condominium Building****
Bachelor	$1,425	$1,063
1 bedroom	$1,425	$1,240
2 bedroom	$1,454	$,1,454
3+ bedroom	$1,590	$1,590

*Calculated as the greater of 100% AMR or MLI Select definition of affordability (currently $1,425).
**Calculated as 100% AMR

Duration of Affordability

What does this concept mean?

Duration of affordability refers to the amount of time for which IZ units must remain at affordable rents or prices before reverting to market rents or prices. In the case of an IZ rental unit, rent would need to meet the required level of affordability for the specified program duration. Once the period of affordability is expired, the owner of the rental unit would be able to increase the rent to a market rent. For an IZ ownership unit, the resale price would be restricted for the specified program duration. Restrictions on IZ ownership units could include a requirement that the owner return a portion of the net proceeds of a unit's sale to the municipality and/or maximum income criteria for new owners.

The regulatory approach proposed by the Province in the Fall 2022 includes a maximum affordability period of 25 years.

What are best practices/options we have seen in other communities?

A survey of other communities shows that duration of affordability can range from 25 to 99 years. Los Angeles, New York and San Francisco require affordability in perpetuity. Toronto's affordability period is 99 years, and Vancouver's is 60 years. Chicago and Los Angles both require a 30-year period of affordability. Mississauga's affordability period is 25 years for rental and 50 years for ownership.

What does the financial model tell us?

Duration of affordability is a moderately important driver of financial viability, but less important than other policy parameters such as set-aside and level of affordability. The financial implications of duration are described in the Tenure of IZ units section of this report.

What we heard

Almost all community stakeholders expressed a desire for long term affordability and a frustration with the proposed 25-year maximum term.

Some developers expressed a desire for a short period of affordability to provide an incentive to build a project (i.e. they were intuitively more sensitive to this variable than the model would suggest).

Recommendations

- The recommended duration of affordability is 25 years, which is the maximum term under the proposed regulations. Longer terms of up to 99 years could be appropriate if it were enabled by Provincial regulation. A long period of affordability is recommended to ensure the affordable housing can make a lasting impact.
- Municipalities should explore partnership with non-profits to expand the period of affordability beyond 25 years where possible, as described in the Implementation and Administration section of this report.

Tenure of IZ Units

What does this concept mean?

IZ can be used to create both affordable ownership housing and affordable rental housing. Combined with different building ownership models, IZ units can generally have any of the following three tenure structures:

1. Affordable ownership units within a condominium building
2. Affordable rental units within a condominium building
3. Affordable rental units in a market rental building

Rental units typically support households with moderate and low incomes for whom ownership housing is not an affordable option. The creation of IZ rental units, either within a purpose-built rental building or within a condominium building, can provide direct support to households that face barriers to finding affordable housing. An IZ program that emphasizes and supports the creation of IZ rental units as a priority would provide affordable housing for moderate income households in need.

Under current economic conditions, condominium construction typically results in better financial returns than new purpose-built rental housing. As a result, condominium development is preferred by builders, in most cases. In certain markets, adding a requirement for IZ units within purpose-built rental buildings could further reduce the financial feasibility of development. Despite the financial challenges of constructing purpose-built rental housing, Waterloo Region has experienced new purpose-built rental developments that target high income renters. An IZ program should balance the benefit to the community of requiring affordable rental units with the possible negative financial impacts of IZ on purpose-built rental housing that could discourage these types of development.

What are best practices/options we have seen in other communities?

Rental IZ programs are more common than ownership, but both are used widely.

Both Mississauga's and Toronto's IZ policy frameworks provide for affordable ownership and affordable rental. The set-aside rate in these programs is lower for rental units than for ownership units. This reflects the fact that the maximum affordable rental threshold of $1,580-1,650 per month represents lower annual housing costs to households than affordable ownership units at the maximum affordable price of $338,000-423,000 (due to the way these thresholds are defined in Provincial policy). Rental units are more deeply affordable and have a greater impact on development pro forma than affordable ownership units.

Toronto does not require IZ units in purpose-built rental buildings until 2026, and Mississauga's framework exempts purpose-built rental buildings from its IZ program entirely, presumably owing to their challenging economics, even without an IZ policy, as compared to condominium apartments. Furthermore, it does not prescribe whether affordable units be rented or owned. The approach is similar in Mississauga. 90% of American IZ programs provide for both rental and ownership units[v]

What does the financial model tell us?

Staff estimate the fair market value of the typical IZ rental unit under the proposed policy parameters would be approximately $300,000 with variation based on unit size, building type and location. This figure is calculated using an income-based approach to property valuation based on net operating income for IZ units for 25 years and then reverting to market rents starting in year 26. This approximates the value we expect IZ units transact at on the open market, rather than a price mandated by policy. The financial impact of an IZ rental unit to a development pro forma is modelled as the difference between this sale price and market price of a unit sold as a market ownership condominium unit.

Requiring IZ units to be rental has more impact on financial viability than requiring ownership units. Staff recommend this approach nevertheless because IZ ownership units priced according to proposed Provincial regulations would be affordable to only high income households. Set-aside rates, rents and duration of affordable requirements have been calibrated to address this finding.

The municipalities cannot control the sale price of IZ rental units. The preference is that they be sold to third sector providers as described in the Implementation and Administration section of this report.

What we heard

A number of local rental housing providers consulted for this study confirmed that a modest set-aside rate for IZ units within their purpose-built rental buildings could be financially feasible and suggested that IZ program requirements align with CMHC's financial support programs for rental construction, such as MLI Select and Rental Construction Financing. These programs, which are typically required to ensure the financial feasibility of purpose-built rental housing developments, set out minimum a point system addressing affordability levels, set-aside rates and duration requirements and other criteria unrelated to affordability. The alignment with CMHC programs would enable purpose-built rental developments to count the affordable units that they are already creating toward the IZ requirement but could also secure IZ units within purpose-built rental developments geared toward high end of market rents.

In consultation with condominium developers around the concept of IZ units in a condominium building, most expressed a strong preference to not own and operate IZ rental units long term. The typical condominium development business model sees the developer ending its association with a project shortly after ownership of all units is transferred. A successful IZ rental in condo program should provide a pathway for condominium developers to cease their obligations to the site/project shortly after condominium registration.

Recommendations

- An IZ program should be used to create affordable rental units only. The affordable rental units should be provided in a purpose-built rental or in a condominium building.
- Condominium developers could hold and rent their IZ units, sell them to a third party at their fair market value, or preferably, sell them to a third sector housing provider. Any rental IZ unit owner should be required to uphold maximum rent, income eligibility, and reporting criteria. Condominium fees, property taxes, insurance and maintenance would be the responsibility of the owner. Utilities and parking spaces leases could be in addition to the rent. Leasing would be a shared responsibility of the owner and administrator. These commitments will be secured through agreements registered on title.
- Condo and purpose-built rental developers should be provided with flexibility within an IZ program to adopt a variety of ownership operations models, as needed (See Offsite Units).
- Program requirements for IZ in purpose-built rental buildings should align with CMHC's affordability requirements for rental construction financing and grant programs.
- Review and refinements of this policy approach should occur as part of the mandatory 2-year or 5-year review of IZ.

Unit Size and Number of Bedrooms

What does this concept mean?

An IZ program can specify the gross floor area of IZ affordable units as well as the number of bedrooms.

What are best practices/options we have seen in other communities?

To promote equity and inclusion, all IZ units should be livable, functional and integrated visually with market-rate units within the same building. IZ affordable units should be comparable in size to market rate units containing the same number of bedrooms unless it is demonstrated that a different unit size is desirable to achieve a particular housing need. Where IZ and market rate units differ in size, IZ units are sometimes required to meet minimum standards to ensure that they are functionally equivalent to the market rate units. Table 7 shows a range of minimum IZ unit sizes adopted by other municipalities

Table 7. Minimum IZ Unit Size Requirements by Municipality

City	Minimum IZ Unit Size Requirements (square metres)			
	Studio	1 BR	2 BR	3+ BR
Toronto, ON			87	100
Boulder, CO	28	44		
Los Angeles, CA	No less than 90% of average floor area of market units with same # bedrooms			
San Francisco, CA	33	51	74	93
Chicago, IL	39	56	81	102

Some municipalities manage the financial impacts of requiring large bedrooms by allowing the housing authority to authorize fewer IZ affordable units in exchange for units with more bedrooms in accordance with a bedroom equivalency. For example, Portland Oregon permits the calculation of set-aside rates based on number of bedrooms rather than units. A developer can satisfy an IZ requirement by creating a few large units or many smaller units. Los Angeles sets out an equivalency table whereby a three-bedroom unit is considered to be equivalent to 2 studio units, 1.5 one-bedroom units or 1.25 two-bedroom units. IZ set-aside requirements that focus on percent of GFA rather than percent of total units could provide additional flexibility to developers to offer larger unit sizes, where feasible.

What does the financial model tell us?

The Partners have modeled a program where the suite mix of IZ units mirrors that of the market units. For high rise buildings this is 0-10% bachelors, 45%-50% one bedrooms and 40-50% two bedrooms. Requirements for larger IZ units is expected to have a significant pro forma impact. Because of its potential to significantly impact a development's pro forma, any minimum bedroom requirements for IZ units should be considered as part of the larger IZ financial impact analysis. Any requirements that IZ units be larger than market units should be matched with less onerous requirements in other parts of the policy.

What we heard

Local developers have reported that it is economically challenging under current (2022) market conditions to provide family-sized units with three or more bedrooms. Consultation with housing providers, moderate income households and organizations that support them, and the public at large have differing opinions on what unit sizes are in greatest demand.

Recommendations

- The unit sizes and number of bedrooms for IZ units should be generally consistent with the unit sizes and number of bedrooms of market units.

Location Within Projects

What does this concept mean?

Affordable housing units created through an IZ program are typically located within a building with market rate units (But also see Offsite Units). The location of affordable units refers to whether the affordable units are concentrated within the building (e.g. located on a single floor) or dispersed throughout the building.

What are best practices/options we have seen in other communities?

Most IZ programs require that IZ affordable units be dispersed throughout a development, with no single building or floor containing a disproportionate number of IZ affordable units. Some exceptions may apply where there are programming and supports that can be more efficiently or effectively delivered to tenants who share specific needs, such affordable units that are specifically geared to seniors and who would benefit from being close to certain amenities or accessibility features.

What does the financial model tell us?

The financial model does not consider the location of affordable units within buildings. The locations of IZ units within a development is unlikely to have significant financial impact on its pro forma.

What we heard

Feedback from both the development industry and members of the community emphasized a desire for IZ units not to be concentrated. In contrast, some affordable housing providers saw the potential for administration and service efficiencies if the IZ units could be grouped. These providers were particularly interested in the possibility of grouping IZ units within offsite units (See Offsite Units).

Recommendation

Where possible, IZ units should be dispersed throughout a development. However, there should be some flexibility to consider concentration of units where such an approach will benefit the IZ affordable unit occupants.

Design Criteria

What does this concept mean?

Additional design criteria include building and unit performance standards and design guidelines that ensure a minimum standard of quality and design for IZ affordable units and equitable access to common building amenities. Examples include minimum standards for storage areas, closets, balconies, kitchen cabinets, counters, flooring, furnaces and appliances, and/or equal access to building entrances, common areas and amenities.

What are best practices/options we have seen in other communities?

A number of jurisdictions have adopted design criteria for developers to ensure that affordable IZ units are livable and that IZ unit occupants have reasonable access to building features. For example, Boulder Colorado has adopted “Livability Standards” to guide the design of IZ units. These standards include minimum room dimensions, layouts for efficient floor plans that enable functional furniture configurations, minimum kitchen cabinetry requirements and closet sizes. Finishes and appliances in IZ units are permitted to be “functionally equivalent” to those provided in market units, which means they must be able to provide the same function, but do not need to be an identical brand, finish, or product. For example, IZ affordable units could have laminate countertops, while market-rate units could have granite countertops, provided that both offer the same functionality.

What does the financial model tell us?

The financial model did not provide pro forma analyses for different interior design options.

What we heard

Feedback from developers indicated that interior unit design and finishes have a relatively minor impact on pro formas and IZ feasibility and there was limited interest in exploring functionally equivalent design options because of the limited financial offset that such an approach could provide. Community feedback indicated a preference for equitable approaches to interior design, finishes and access to amenities.

Recommendations

- Affordable IZ units should share the same entrances, common areas, and amenities as market-rate units and additional fees or charges should not be applied to affordable unit residents for access to these amenities.
- Given the administrative and cost burden of implementing and monitoring interior design, minimum interior design standards for IZ units should be considered only where it has been demonstrated through a biennial program review that they are necessary to ensure equitable and functional designs and finishes in IZ units.

Timing of Construction and Occupancy

What does this concept mean?

Timing of construction refers to the time frame that any IZ affordable units must be constructed and available for occupation within the sequencing and context of the broader development. The timing requirements are usually set out in the legal agreement between the municipality and the developer and are registered on title. They ensure completion of the affordable units by creating a financial incentive for the developers to fulfil their IZ unit obligations.

What are best practices/options we have seen in other communities?

Most IZ programs surveyed have established timing requirements that require the IZ units to be constructed and occupied before or concurrent with the market rate units. These programs include Toronto, Montreal, Vancouver, Chicago, and Los Angeles.

What does the financial model tell us?

The financial model did not provide pro forma analyses for construction timing.

What we heard

No feedback was provided about the timing of construction.

Recommendations

- IZ units should be constructed and occupied concurrently or prior to the construction and occupancy and in proportion to market rate units. Similar timing requirements should also apply to offsite units. If the IZ unit timing requirements for offsite units cannot be met, (due to construction delays at the offsite for example), IZ units requirements should be met in the building generating the IZ requirement until such time as they can be met offsite.

- Requirements for construction and occupancy should be incorporated into the IZ zoning by-law, implementation guidelines, and individual legal agreements.

Exemptions

What does this concept mean?

There may be certain situations in which it is not necessary or does not make sense to require affordable units through IZ. Establishing exemptions ensures that certain developments are not discouraged as a result of the IZ requirements.

The Planning Act (O. Reg. 232/18) exempts the following developments from IZ requirements:

An IZ by-law does not apply to a development or redevelopment where,

a) The development or redevelopment contains fewer than 10 residential units;
b) The development or redevelopment is proposed by a non-profit housing provider or is proposed by a partnership in which,
    a. a non-profit housing provider has an interest that is greater than 51 per cent, and
    b. a minimum of 51 per cent of the units are intended as affordable housing, excluding any offsite units that would be located in the development or redevelopment;
c) On or before the day an official plan authorizing IZ was adopted by the council of the municipality, a request for an amendment to an official plan, if required, and an application to amend a zoning by-law were made in respect of the development or redevelopment along with an application for either of the following:
    a. approval of a plan of subdivision under section 51 of the Planning Act, or
    b. approval of a description or an amendment to a description under section 9 of the Condominium Act, 1998; or
d) On or before the day the IZ by-law is passed, an application is made in respect of the development or redevelopment for a building permit, a development permit, a community planning permit, or approval of a site plan under subsection 41 (4) of the Planning Act.

What are best practices/options we have seen in other communities?

Municipalities are permitted to provide further exemptions beyond those included in the Planning Act.

The City of Toronto's adopted IZ framework provides exemptions for:

- developments containing fewer than 100 dwelling units and less than 8,000 m2 of residential GFA;
- developments that will be owned and operated by:
    - a non-profit housing provider with 100% ownership interest; or
    - a non- profit housing provider in a partnership in which:
        - the non-profit housing provider has an ownership interest that is greater than 51%; and
        - a minimum of 51% of the dwelling units will be affordable housing units;
- student residences, retirement homes, nursing homes, and residential care homes.

The City of Mississauga's adopted IZ framework provides exemptions for:

- Portions of a development or redevelopment containing long-term care buildings, retirement buildings, hospices, staff/student residences, or group homes
- Region of Peel or Peel Housing projects
- Developments subject to an existing affordable housing contribution secured before the date of passage of an IZ Official Plan Amendment through a S.37 (density bonusing) agreement, development agreement, S.51 agreement, S.45 agreement or other form agreement with the City, to the satisfaction of the Commissioner of Planning and Building
- Purpose-built rental buildings

What does the financial model tell us?

Staff explored insight from the financial model in determining an appropriate threshold for the minimum project size to which IZ should apply. Mid rise developments are generally more financially challenging than high rise developments. However in weak markets, Residual Land Value for low and medium rise development can be stronger than high density. On smaller sites and in smaller projects, such as tall towers on small lots or in missing middle and mid rise housing typologies, the development economics tend not be more challenging.

What we heard

The Partners did not receive significant feedback on exemptions.

Recommendations

To eliminate circumstances where IZ would be overly financially challenging , the following should be exempt from IZ requirements:

- Buildings with 50 units or less. This figure seeks to strike a balance between maximizing the number of units that can be provided through an IZ program and not disincentivizing missing middle housing forms. The recommended threshold is lower than in Toronto or Mississauga in recognition that small projects may be economically preferred to larger ones in weaker market areas.
- Staff anticipate that exempting building of 50 unit or less will provide an incentive, on the margin, for development just under this threshold. Staff considered but have not recommended a varying set-aside rate by project size. This was not supported by the financial model, could be confusing and because of the relatively narrow band of set-aside rates (1-5%). Staff will monitor the potential impacts of this threshold effect and recommend adjustments as needed.
- Residential and long-term care facilities, including retirement homes, group homes, and hospices
- Student residences built or operated by a post-secondary institution
- Region of Waterloo Housing, including Community Housing, Alternative Housing, and Supportive Housing
- Exemptions already specified in O. Reg. 232/18 under the Planning Act

Offsite Units

What does this concept mean?

Permitting offsite units may be one way to reduce financial impact on development and increase the feasibility of IZ. It could enable developers to construct IZ units in lower cost areas and/or in buildings with lower construction costs. It also provides opportunities for developers to partner with other developers and with affordable housing providers for the construction of offsite IZ units. Offsite units can help solve the business problem of requiring IZ rental units in condominium buildings.

The Planning Act (O. Reg. 232/18) places the following restrictions on municipalities regarding the permission of offsite units:

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.

What are best practices/options we have seen in other communities?

Toronto requires an agreement registered on title for both sites when offsite units are on land not owned by the same person as the original site.

The City of Toronto's adopted IZ framework permits offsite IZ units at the discretion of the City. Builders must meet the following requirements:

- The offsite affordable housing units provide for an improved housing outcome;
- The offsite affordable housing units shall be ready and available for occupancy on a timely basis commensurate with completion of the residential units in the proposed development or redevelopment; and
- The offsite affordable housing units shall be located in proximity to the proposed development or redevelopment. The requirements for proximity will be met if the offsite development is located within the same market area category

The City of Mississauga's adopted IZ framework also permits offsite IZ units, once again at the discretion of the City. Builders must meet a similar set of requirements:

- The offsite housing must be located within an IZ area (MTSA)
- Offsite IZ units shall be located in proximity to the proposed development or redevelopment giving rise to the affordable housing requirement. Proximity is deemed to be a site located within the same IZ area.
- The offsite contribution results in an improved housing outcome, such as:
    - Delivery of units occurs sooner than if the units were delivered in the development giving rise to the affordable housing requirement

- The provision of affordable rental housing, or the provision of more deeply affordable units than required
- The provision of a greater number of affordable GFA than required

- Offsite units shall not be used to satisfy affordable housing requirements that apply to the development or redevelopment in which the offsite units are permitted

What does the financial model tell us?

The financial model is not structured to analyze offsite units. The option for offsite units can only improve financial viability.

What we heard

Both developers and non-profit housing providers see offsite units as an exciting opportunity for innovation in a way that meets the affordability goals of an IZ program while potentially avoiding some of its downfalls. It could:

- Provide economies of scale for administrative costs whereby the region only needs to manage relationships with a few nonprofit housing providers
- Provide opportunities for non-profits, who have a mandate to provide long-term affordable housing, to partner with developers for the ownership and operation of buildings containing IZ units. Non-profit ownership could support a longer term of affordability than the proposed maximum of 25 years.
- Provide opportunities to build units in low-cost locations or using lower cost construction methods
- Leverage additional funding to potentially create more units or deeper levels of affordability. Non-profit partners are well positioned to secure CMHC funding and financing, long amortization periods and have ability to fundraise to deliver more affordable units via offsite IZ units than the private sector could, either onsite or offsite.
- Provide a steady pipeline of new units into the nonprofit sector that is not dependent on senior government funding programs
- Provide opportunities for on-site supports at scale

Conversely, we heard from the community at large that mixed income buildings that would be secured through on-site IZ units is an important goal that should be upheld. Community members expressed concerns about the possibility of creating poor quality housing in offsite buildings and stigma regarding offsite units.

Recommendations

- Offsite units should be permitted to provide flexibility in an IZ program and to facilitate, where possible, the transfer of IZ unit ownership to the third sector. Building and maintaining relationships with non-profit and affordable housing providers in the region will be important to facilitate offsite units. Developers are not permitted to provide Cash In Lieu (CIL) of IZ units but the regulations do not prohibit partnerships with affordable housing providers or other developers. Agreements will be needed on title to secure the units and there may be benefits to coordinated agreements with multiple developers if they are providing IZ units for different developments in the same offsite building.

- Offsite IZ units should be provided in an MTSA within the same municipality as the donor development
- Offsite IZ units can be within a mixed income building or a building with only affordable units
- Units could be built by a non-profit, developer or consortium of developers
- Offsite IZ units need to be in addition to affordable units that a developer would otherwise be required to provide.
- The timing of occupancy of IZ units, whether on site or offsite, must be coincident with market units. In the case of offsite units, construction timing of the offsite unit project may not align with the building generating the IZ requirement. In the cases where the occupancy of the building generating the IZ requirement (donor site) precedes the construction of the project receiving the offsite units (recipient site), IZ units must be provided at the donor site until IZ units at the recipient site are ready for occupancy. If the recipient site project does not proceed for whatever reason, IZ units would be provided at the donor site long-term.

Enabling offsite units generally supports the community goal of creating mixed income communities in MTSAs, even though not all offsite units will be located in mixed income buildings. Community concerns about ensuring a high quality of design and amenities for offsite buildings can be managed through appropriate urban design and development review processes. The offsite unit option will be critical to achieving market acceptance of requiring IZ rental units in condominium buildings. Offsite units, properly secured by agreements, will allow the private and non-profit sectors to innovate in the delivery of affordable units. Staff intend to report back on the successes and challenges of offsite unit provision biennially and will adjust this approach as needed.

Accessibility

What does this concept mean?

Accessibility is defined by CMHC as the manner in which housing is designed, constructed or modified to enable independent living for persons with diverse abilities. In this discussion paper, accessible units are those that meet or exceed Building Code accessibility requirements. Such units are designed to provide, among other things, adequate turn spaces, minimum doorway and corridor widths, and power door operators. They are supported by other accessibility features throughout a building that permit a barrier-free path of travel and access to and from public areas such as entrances, hallways and amenity areas. A minimum of 15% of units within a multi-unit residential building must be designed with basic accessibility features.

What are best practices/options we have seen in other communities?

Individuals with disabilities are more likely to live in households that spent more than 30% of their total household income on shelter[vi]. The proportion of unaffordable housing was higher for persons with disabilities in renter households with a subsidy (41.4% compared with 34.9% for the total population) and without a subsidy (45.0% compared with 34.5% for the total population). Notwithstanding the correlation between income, housing and disability, a recent review of the Region of Waterloo’s community housing waitlist reveals that only 123 out of 7642 (1.6%) of households on the waitlist required accessible units. The reasons for the low proportion of individuals with a disability on the waitlist are unclear and may not be representative of need (e.g. individuals with disabilities may be choosing not to register with the housing waitlist for a variety of reasons, such as long wait times). It could also reflect that the disabilities reported in the broader population are not all physical disabilities that require accessibility housing.

The City of Toronto's Draft Implementation Guidelines states that "Reasonable efforts shall be made to provide at least twenty percent (20%) of IZ affordable housing units within a proposed development as fully accessible housing units." Several CMHC housing grant programs require an accessibility standard of 20% of greater, and common areas that are barrier free.

What does the financial model tell us?

The financial model did not provide pro forma analyses for accessible units over and above the 15% required by the Building Code.

What we heard

Members of the public generally expressed a desire for at least 15% of IZ units to be accessible. Some members of the public expressed an interest in requiring a higher proportion of accessible units for the IZ units than is currently required by the Building Code.

Development industry did not provide feedback on accessibility requirements, although it is understood that increasing the accessibility requirements for IZ units beyond the Building Code requirement could result in additional costs and impacts on a development's pro forma. In a review of accessibility features added to newly constructed buildings, including apartments, CMHC concluded that the costs: "although not insignificant, are nonetheless much lower than the cost of converting an existing dwelling in order to make it accessible."[vii]

Recommendations

- An IZ program should require that the Building Code's 15% accessibility requirements be distributed proportionally throughout market and IZ units. Developers should be encouraged to achieve a minimum of 20% accessibility in IZ units, where possible, and to ensure that IZ units are adaptable to enable later retrofit if needed.

Incentives and Offsets

IZ programs can be supported by a range of incentives or "offsets" that mitigate financial impacts of providing the affordable units. They can include, but are not limited to, additional height and density in exchange for the IZ units, flexible or reduced planning regulations (e.g. reduced parking) and waivers or reductions in municipal fees and charges. The Planning Act requires that incentives be considered in developing an IZ framework.

Additional Height and Density

What does this concept mean?

Under the Planning Act, a developer or builder can seek permission from council through a zoning by-law amendment for additional height or density than what is permitted for their property as of right in the zoning by-law. Assuming all other costs remain fixed, additional height or density can increase the revenues of a development and make a development project more lucrative.

A development's as-of-right approved heights and densities can be combined with different set-aside rates to achieve different outcomes. For example, a zero or low set-aside rate can be applied to the as-of-right height and density of a building, while a higher set-aside rate can be applied to the additional height and density. IZ programs that only apply a set-aside rate to the additional height and density portion of a building can be considered voluntary, since no IZ units are required as part of the as-of-right height unit permissions. Conceptually, these types of programs work in a similar manner to the former s. 37 bonusing provisions of the Planning Act.

The Planning Act allows for mandatory IZ. The Act requires municipalities to consider incentives, and a voluntary approach to IZ may be contemplated.

What are best practices/options we have seen in other communities?

Historically many Ontario communities, including Toronto, Waterloo and, to a limited extent, Kitchener have used the former community benefits (height and density bonusing) provisions of s. 37 of the Planning Act to secure affordable housing or funds for affordable housing through developments that request height or density above and beyond what is permitted by the base zoning. The ability to use this tool was removed from the Planning Act in 2019. Vancouver has successfully used a height and density bonusing approach to secure affordable units.

Many American IZ programs use height and density bonusing to help offset the cost of IZ units. Density bonusing has been found to work well in areas zoned for lower density, but can have diminishing returns in areas that are already zoned for high-rise construction. According to a 2016 study by the Centre for Housing Policy "After a certain height and density, land costs become an increasingly smaller portion of overall development costs, and the benefits of the extra density do not provide the same level of subsidy that they would in a smaller-scale project."[viii]

Neither Toronto nor Mississauga IZ frameworks proposed additional height or density in association with the IZ by-law.

What does the financial model tell us?

The financial model analysis in this report assumes a mandatory IZ program and a single set-aside rate for developments with a range of built forms that are associated with a relatively fixed height and density. It does not test scenarios that involve different set-aside rates applied to additional height or density. In practice, it is not uncommon for a developer to seek additional height and density to help improve project viability.

What we heard

Some industry stakeholders noted that requests for increased density are typical for most sites that will be redeveloped. A mandatory system with a single set-aside rate was generally preferred because it is more clear and simple to calculate than the voluntary or incentive systems discussed. This increases certainty that is crucial to project viability. Most community stakeholders also preferred a mandatory system. Community engagement did not reveal a strong majority opinion on the idea of permitting higher heights and densities to secure more affordable housing.

Recommendations

- A mandatory IZ program is recommended as it sets clear expectations and is simpler to understand and administer. A mandatory system allows developers and land owners to clearly understand what is required and build these assumptions into their investment decisions. A mandatory system also ensures that IZ units will be provided. A voluntary system is not recommended since it is more effective in relatively stable low density zoning environments where land transactions tend to align closely with zoning permissions.
- The implementation of an IZ policy should be coordinated with comprehensive updates to planning frameworks within MTSAs that include greater height and density permissions. Additional height and density permissions can help offset the financial impacts on the land market in many cases.

Parking Requirements

What does this concept mean?

The zoning bylaws of all three cities require a certain number of off-street vehicle parking spaces be provided in association with the development of new residential units. This varies between municipalities, location and structure type and other factors. Municipalities can reduce or eliminate vehicle parking requirements for IZ units, or for the entire development that includes IZ units to help offset the cost of IZ. Major Transit Station Areas are well served by higher order transit that provides a rationale for lower parking requirements.

What are best practices/options we have seen in other communities?

Mississauga reduces the parking required for IZ units by 30-50% and Toronto exempts IZ units from parking requirements.

What does the financial model tell us?

Structured parking has been reported by a number of developers as costing $50,000-$100,000 per space, depending on if it is located in the podium of a building or below ground. Any requirement to provide parking above and beyond what the market demands has significant implications on financial viability. Reductions in parking requirements for both IZ units and for the entire development that is subject to IZ requirements can significantly improve the financial viability of a project. The revenue associated with the sale or rental of parking spaces does not cover its costs.

The financial impact model assumes a parking ratio of 1.0 space per unit in emerging market areas, 0.7 spaces per unit in established market areas and 0.5 spaces per unit in prime areas. All market areas assume an additional 0.1 visitor spaces per unit. These assumptions approximate a market -based demand for parking and do not reflect the parking required by zoning. Parking requirements more than these can negatively impact financial viability.

Exempting IZ units from parking in a prototypical high rise within a prime market area at a 5% set-aside rate can yield approximately $200,000 in value to the project. Exempting all units in the same project would generate approximately $2.1m in value. These increases in value can help offset the financial implication of IZ and improve financial viability and new supply.

What we heard

We heard broad support from both developers and community members for eliminating parking minimums for IZ units. There was some support for reducing or eliminating parking requirements for all residential development in MTSAs as a way to support affordability in general.

Recommendations

- No parking should be required for IZ units. The minimum required parking rates for developments within MTSAs should be as low as possible and should range from 0 to no higher than 0.7 spaces/unit, where possible.

Financial Incentives

What does this concept mean?

Municipalities can provide financial incentives to developers to help offset some of the financial impact of providing IZ units. In November 2022, changes were made to the Planning Act and Development Charges Act that exempt IZ Units from City and Regional Development Charges (DCs).

A regulatory proposal to exempt IZ units from Community Benefit Charges (CBCs) and Park Dedication is not yet in effect

Additional financial incentives could include the waiver or reduction of:

- Planning application fees
- Building permit fees
- Property taxes

Municipalities could also offer one time capital grants or ongoing subsidies. Additional incentives to private developers would need to be administered through a Community Improvement Plan, Municipal Capital Facilities Agreement or similar provision to address anti bonusing provisions of section 106 of the Municipal Act.

What are best practices/options we have seen in other communities?

Neither Toronto nor Mississauga offer financial incentives through their IZ programs. Prior to Bill 23, Ottawa was investigating the potential for financial incentives in the form of fee waivers or tax increment equivalent grants and reduced taxes for those who own/rent an affordable unit to mitigate impacts from assessed value that do not reflect affordable prices.

An American study found that financial incentives to support IZ programs were relatively uncommon. "…[I]ncentives include waivers, reduction or deferral of development and administrative fees and/or financing fees (17%), expedited processing (13%), concessions on the size and cost of finishes of affordable units (11%), tax relief abatement (6%), and direct public subsidy (4%)[ix]."

What does the financial model tell us?

Financial incentives have a direct positive impact on the financial viability of development. Every dollar of upfront fee waivers or capital subsidy has approximately one dollar impact on costs, residual land value and development viability (with some devaluation based on timing of the incentive in the development lifecycle.) The impact of ongoing incentives like property tax waivers or operating subsidies are proportional to their net present value.

The mandatory incentives are incorporated into the pro forma model. These incentives have a modest positive impact on the financial viability of the IZ program. The total value of the mandatory fee exemptions, assuming a one-bedroom IZ unit in a condominium tower in Kitchener, is approximately $30,000 per IZ unit (Table 8).

Table 8. Value of Mandatory Incentives

Fee or Change	**Value (Kitchener)**
Regional Development Charges	$20,044
City Development Charges	$8,399 Central, $10,854 Suburban
Community Benefits Charges	$0 CBCs have been established in Waterloo but not in Cambridge or Kitchener
Parkland Dedication Fee	$2,020 typical per Bill 23
Total	$30,463-$32,918

What we heard

Through public engagement with the development industry and public, staff have conveyed the principle that to work, an IZ policy would need to be financially sustainable over the long term. This means that it can't rely on significant municipal subsidy.

Possibly as a result of messaging that significant municipal subsidy would not be available for an IZ program, the development industry did not express significant interest in financial incentives beyond the mandatory incentives.

There was no public consensus on providing financial incentives to help offset the impacts of inclusionary zoning on development viability. Some expressed concern with providing any incentives, including the mandatory incentives. The most interest in additional financial incentives was for developments that provide better affordability outcomes than under the mandatory policy.

Recommendations

- Staff do not recommend additional financial incentives for IZ units in addition to the mandatory Development Charges, Community Benefit Charges and Parkland Dedication Fee exemptions.

Implementation and Administration

IZ programs, like all affordable housing programs, require active and ongoing administration, monitoring and program adjustment to ensure that they continue to provide affordable housing to eligible households over the affordability term. Without appropriate oversight and enforcement, affordable units secured through IZ programs can be lost through increased rents, subletting, illegal sale or foreclosure. Reports from some jurisdictions suggest that inconsistent administration can make it more difficult for certain eligible households to obtain IZ units, which can undermine program effectiveness, public support and trust[x]. In extreme cases, inadequate monitoring and enforcement has led some municipalities to release the affordable units back into the market and abandon the program entirely[xi]. Program monitoring and data collection are important to meet the legislative requirements of IZ, evaluate how well the program is meeting its objectives and to inform any program modifications in response to changing housing needs or land and development economics.

Implementation and administration of IZ generally involves the following key tasks:

Incorporating IZ requirements into development approvals processes

- Help developers understand their options/obligations to meet IZ requirements
- Review and approve developments that are consistent with IZ policies and regulations
- Coordinate municipal approvals with IZ housing administrators
- Establish legal agreements and register agreements on title

Administering IZ units

- Set and monitor affordable rents or prices
- Select owners/tenants who meet the eligibility requirements
- Monitor eligibility over time and manage unit turnover
- Enforce IZ agreements

Monitoring and reporting program outcomes

- Track key housing metrics to inform program evaluation and updates
- Report annually on IZ program
- Review and refine program in accordance with regulations and changing housing needs/land economics

Incorporating IZ Requirements into Development Approvals Processes

Area municipal planning staff implement Official Plan policies and Zoning By-laws that set out the requirements for IZ through the development approvals process. Many jurisdictions develop IZ Implementation Guidelines which can help municipal staff communicate how program parameters such as the number of IZ units or affordable rents and prices will be calculated and where there may be flexibility for different development scenarios. Examples of Implementation Guidelines include City of Toronto's Draft Inclusionary Zoning Implementation Guidelines[xii], City and County of San Francisco's Inclusionary Affordable Housing Program Monitoring and Procedures Manual[xiii], and the City of Chicago's Affordable Requirements Ordinance Rules[xiv].

Contents of the IZ Implementation Guidelines should communicate in plain language any IZ provisions set out in Ontario Regulation 232/18 under the Planning Act along with other program requirements as deemed appropriate, including:

- Size of developments or redevelopments subject to the IZ by-law
- Geographic areas subject to IZ by-law
- Any exemptions from the by-law
- Income range for households that would be eligible for IZ affordable housing units
- Housing types and sizes of units that would be authorized as IZ affordable housing units
- Tenure of units subject to IZ policies
- Number of affordable housing units, or the gross floor area to be occupied by the affordable housing units
- Duration that affordable housing units will be maintained as affordable
- Measures or incentives to support the creation of IZ units and how they will be calculated
- Rents or prices of IZ units and how they will be calculated
- The approach to determine the percentage of the net proceeds to be distributed to the municipality from the sale of an affordable housing unit, including how net proceeds would be determined.
- The circumstances in and conditions under which offsite units would be permitted
- Accessibility requirements for IZ units
- Location of IZ units within buildings
- Timing of IZ unit construction

Municipalities can also consider requiring developers to submit an affordable housing plan as part of a complete application that demonstrates how the developer plans to address the requirements set out in the IZ Implementation Guidelines. The plan and the details therein would form the basis of an agreement registered on title of the lands proposed to be (re) developed pursuant to Section 35.2 (2)(i) of the Planning Act.

Recommendations

- The Partners should develop IZ Implementation Guidelines in conjunction with an IZ program.
- The Partners should work with area municipal and Regional solicitors to create a template for basic terms and conditions and signatories for any legal agreements that will be required as part of an IZ program.

Administering IZ Units

Successful IZ programs in the US and Canada are typically administered by government agencies or publicly funded non-profit housing organizations (e.g. arms-length Housing Authorities or Land Trusts) and supported with adequate and scalable revenue sources to reflect the size and complexity of the IZ program over time[i]. Publicly coordinated, administered and funded IZ programs have been found to result in better tracking and monitoring of IZ affordable units compared to programs administered by the private sector. IZ programs administered by a government agency, or arm's length housing organization benefit from the alignment of organizational mandates with the objectives of IZ, as well as a centralized and consistent monitoring approach. In some cases, the public sector may be able to leverage existing affordable housing administration expertise and resources to support implementation. Some development industry representatives interviewed for this project indicated that they do not have the capacity, resources or interest to manage IZ units over the long term. Their preference would be for a single administrative body across Waterloo Region to oversee and manage the units. The Region of Waterloo has expressed an interest in administering an IZ program.

Table 9. Comparison of Administrator Options

Advantages / Disadvantages	Region of Waterloo	Non-profit
Advantages	Efficient - Could leverage existing staff expertise and some extra capacity (in short term)	Potentially Lower Cost – Non-profit may be able to operate at lower cost (lower salaries) or secure additional outside funding
	Predictable - Existing positive working relationship and trust between Region and area municipalities	Capacity building – Opportunity to build capacity and expertise in Non-profit housing sector
	Easy - Could be established fairly quickly and easily through Joint Service agreement or similar model (precedents exist)	
	High Stability over Long Term - ROW and municipal mandates unlikely to change, lower staff turnover etc.	
	Accountability and Control – ROW staff more directly accountable to senior management council	
Disadvantages	Potentially Higher Cost – Region may have higher salaries and may not have access to external funding opportunities	Low Capacity – Existing housing non-profits already facing capacity challenges
	Capacity building – reduced opportunity to build community capacity for program administration	Uncertain Interest/Expertise - Confirmation needed that NFPs would be interested and could develop the expertise to carry out the work
		Low stability over long term - Changing NFP priorities and/or potentially high staff turnover may reduce capacity and program stability

Eligibility and Waitlists

Eligibility requirements are maximum income levels and other criteria that households must meet to rent or own an IZ unit. These criteria help ensure that affordable units are available to those who need them. A waitlist is a list of prescreened individuals and households that is maintained by an Administrator to create a transparent and efficient process for matching those needing housing with available IZ units. Waitlists are typically used to support the tenant selection process for IZ rental units.

Toronto's Draft Inclusionary Zoning Implementation Guidelines require that an eligible household's gross annual household income cannot exceed four times the annual rent of the IZ unit. Toronto also identifies additional household eligibility criteria to ensure appropriate allocation of units, including:

a. Minimum age of 18;
b. Have legal status in Canada;
c. Not be in arrears with a social housing provider or are in arrears but have an active payment plan in good standing;
d. Have good credit history
e. Not have a lease for another rental unit at the time of occupation (some flexibility to overlap may be needed)
f. Not own, in whole or in part, any form of residential real estate in Canada or abroad.
g. Have limited assets and wealth
h. Occupancy standards, including a minimum of one and a maximum of two persons per bedroom; A maximum of one bedroom for spouses.

Many US jurisdictions use Area Median Income (Average) to determine eligibility. While the measurement of income differs, the same general principle used by Toronto typically applies: that is, eligible households must have a maximum income that corresponds with the level of affordability of a unit.

The City of Toronto and several US jurisdictions have adopted IZ programs that rely on private rental building owners or unit owners to identify eligible renters and owners. While this approach has the benefit of reducing administrative cost to the administrator of the IZ program, there are risks to leaving tenant or owner selection entirely in the hands of property management companies or private unit owners, including lack of consistent or transparent application of eligibility rules. Lack of transparency and oversight in the selection process could lead to problems with fair access to units, including the possibility that IZ units will be made available to eligible friends and family first before they are available to the broader community or that units may be made available to ineligible households.

Requiring IZ unit owners to select tenants from a centralized waitlist of eligible tenants is a more efficient approach for both tenants and administrators. It enables advance screening and speedy tenant selection, and reduces the sign up burden for tenants by enabling them to sign up to a single centralized waitlist rather than multiple waitlists. Administrators benefit from more consistent and compliant implementation which can help reduce the need for enforcement. The process by which IZ affordable units are awarded to eligible households should be open and transparent and set out in publicly available guidelines; selection options could be either through first served basis or by lottery.

Feedback from rental housing providers operating in the Region of Waterloo demonstrated a willingness to work with an IZ administrator to identify potential eligible tenants (e.g. from a waitlist) but they also expressed a preference to retain decision making authority over final tenant selection. Rental housing providers felt it was important than they had a final say on the tenant to reduce financial risk and minimize possible landlord-tenant or tenant to tenant conflicts.

Recommendations

- The Partners should continue to explore options, costs and capacity for the Region of Waterloo to serve as the administrator of an IZ program.
- The IZ Administrator should be responsible for developing a waitlist of eligible tenants and owners in accordance with the IZ Implementation Guidelines.
- Approaches to select from the waitlist should consider first come first served and by lottery.
- Owners of rental buildings should maintain final decision making authority over tenant selection from the waitlist.
- Eligible households should be those who are within the moderate income range (below the 60th percentile of the income in the regional market area). In addition, the gross annual income of an eligible household should not exceed 3.3 times the affordable rent of an IZ rental unit. Other eligibility criteria should be considered.

Monitoring and Reporting

The Planning Act requires municipalities to establish a procedure for monitoring to ensure that the required number of affordable housing units, or the required gross floor area to be occupied by affordable housing units, is maintained for the required period of time. The primary tool to ensure compliance with the terms of IZ policy and by-law is the legal agreement that developer is obliged to enter into with the subject city (and potentially also the administrator – e.g. The Region of Waterloo). Ongoing monitoring and enforcement of the agreement would occur through the annual reports by the property owners regarding unit rents/prices, to be submitted to the administrator.

Under the Provincial regulations, municipalities are also required to publicly report on the status of the affordable housing units required in the IZ by-law every two years. The report must contain:

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

The Planning Act further requires municipalities to update their housing assessment reports within five years of IZ official plan policies coming into effect. The purpose of this regular update is to determine whether any aspects of the IZ program need to be modified.

Recommendations

- The Partners should continue to work to create a consistent approach and centralized location for monitoring reporting.

- Any IZ program should be regularly reviewed and adjusted in accordance with any findings from the biennial IZ housing reports and 5-year housing assessment updates.

Appendix 1– Jurisdictional Scan of Inclusionary Zoning (IZ) Frameworks

	City of Toronto	City of Vancouver
Approach	Require IZ within PMTSAs at an assigned set-aside rate	Require IZ as a percentage of large-scale developments and incentives in the form of bonusing for affordable rentals/ownership in specific areas of the City
Background	The City of Toronto has adopted an IZ policy that would require new residential developments to include affordable housing units, creating mixed-income housing. In areas that are designated IZ Market Areas and PMTSAs a subset of the MTSAs.	- In 2019 it was found that the City of Vancouver was not meeting is rental housing targets as rental vacancy has been less than 1% since 2014 - The City of Vancouver has density bonusing measures in place as an incentive for developers to include affordable housing and amenities - In 2017 the City of Vancouver also implemented Inclusionary housing requirements for large developments that are required. Intended to deliver deeper affordability for moderate and lower-income households
Mandatory or Voluntary	Mandatory	Mandatory for all large developments Voluntary for all developments within the specified areas
Income Figures	Median Total Income (2020) (CAD $) All families: $96,700 Couple families: $104,960 Lone-parent families: $59,120	Median Total Income (2020) (CAD $) All families: $98,640 Couple families: $104,350 Lone-parent families: $60,710
Developments Impacts	For developments within MTSAs Toronto OP IZ Map Toronto ZB IZ Amendment	Large Developments: - Involve a land parcel or parcels having a total site size of 8,000 m2 (1.98 acres) or more, or - Contain 45,000 m2 (484,375 ft.2) or more of new development floor area - Meet at pre-app phase to discuss the appropriate mix of incomes, household types and tenures - Required as a condition of development approval – applicant will enter into a Housing Agreement - Unencumbered dirt sites are the priority mechanism to enable 20% social housing Bonusing: - In specific zones set out by Density Bonus & Public Benefits - Figure 1: Shows Density bonus Zones in Vancouver - Tabe 2: Density Bonus Contributions Rates - Bonusing comes in the form of cash in lieu for social housing
Exemptions	- Purpose built rental project with fewer than 140 units (until 2026) - Condo with fewer than 100 units or 8000m^2 GFA - Non-profits, student residences, and residential care homes	Large Developments: - Where an unencumbered dirt site is and cannot be provided, the transfer of ownership in the form of an Air Space Parcel may be required – upon evidence that the applicant cannot provide such land Bonusing: Found in Table 3: Exemptions from Density Bonus Contributions - Retention of pre-1940s houses – subject to meet the Zoning & Development By-law definition - Secured market rental housing – subject to meet the Zoning & Development By-law definition - For-profit affordable rental housing – subject to meet the Development Cost Levies (DLC) By-law

	City of Toronto	City of Vancouver
		- Social housing – subject to meet the DLC By-law definition and receiving approval from the Housing Policy group - Seniors supportive or assisted housing that is secured market rental – subject to an agreed upon rental increase limit and meeting the Zoning & Development By-law definition - 35% below market rental units covering 35% of secured market rental floor area
Incentives & Bonusing	- Financial Incentives are only permitted should the application propose additional affordable housing units (above-and-beyond IZ set-aside requirements) and/or units with deeper levels of affordability.	Buildings with 100% residential GFA as secured rental housing and 20% of the floor area as below market rental are eligible for negotiated (case-by-case if a contribution is needed) community amenity contributions are reasonable to secure rental housing For below rental projects the Faily Room: Housing Mix Policy for Rezoning Projects apply - 35% defined as 2 or more bedrooms Typical approach to bonusing is cash is contribution to the City for the provision of social housing ranging from $39/m2 to $1,410/m2 for development above and beyond permissions in base density - (without inflation index calculated) https://vancouver.ca/home-property-development/annual-inflation-index.aspx (so with the 2022 inflation rate it would be $42.43/m2) Bonusing: - The City of Vancouver's IZ zoning uses bonusing to provide affordable housing in the form of: - Base density with no density bonus - Additional density in exchange for affordable housing or amenities - Cash in-lieu – for specific zones that allow for extra density, up to a specified maximum FSR. They are determined by the density bonus contribution rate
Set-aside Rate	2022 – require 5-10% of condo developments as affordable housing By 2030- increase requirements t 8-22%	Large Developments: - 30% of total residential floor area (20% social housing target and 10% moderate income housing target - Unencumbered dirt sites are the priority mechanism to enable 20% social housing Bonusing: - based on the net additional floor area above base density in Table 2
Unit Design Requirements	Unit Mix section 6 of the draft IZ - 6.1. - Reasonable efforts shall be made to satisfy Section 3.0 (Unit Guidelines) of the City's Growing Up urban design guidelines with respect to the unit mix and sizes of IZ affordable housing units - 6.1.1 - 25% of IZ affordable housing units are 2-bed or 3-bed units and at least 10% of IZ affordable housing units are 3-bed - 6.1.2 – minimum is 87 sqm for 2-bed IZ affordable housing and 100 sqm for a 3-bed IZ affordable housing average IZ affordable housing unit is 90 sqm for 2-bed units, 106 sqm for 3-bed units	Large Developments: The design of the social housing must comply with the Housing Design and Technical Standards such as the following: - Location and Site Planning - Indoor and outdoor Amenity Spaces - Dwelling Unit Floor Areas - Wheelchair Accessible and Adaptable Units - Energy and Environmental Design - Crime Prevention Through Environmental Design - Construction Standards

	City of Toronto	City of Vancouver
	- 6.2 – unit share shall be proportional to those of those units at market-rate - 6.3 – 1-bed units are preferred over studios – 1-beds may replace studios to satisfy 6.2 - 6.4 – minimum unit sizes by bedroom type are at least proportional to market-rate unit sizes - 6.5 – For minimum unit size see section 6.5.1 and 6.5.2 - 6.6 - indistinguishable – in appearance, access, quality, and functionality – from market units - 6.7 – must have central heating and cooling with individual controls - 6.8 – the number of affordable units with a balcony, patio, and/or terrace shall be proportional to the number of market units - 6.9 – laundry facilities with the same access and conditions as market-rate (ensuite or common laundry) - 6.10 - shall have equivalent finishes, fixtures, and features to market-rate – do not need to be identical but need to be new and of good quality in terms of performance, durability, and appearance	For below market rental projects, the Family Room: Housing Mix Policy for Rezoning Projects apply - 35% defined as 2 or more bedrooms
Depth of Affordability	Setting rents and ownership prices based on new income-based definitions of affordable housing in the official plan. This link defines affordability: https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-172507.pdf Recommended Affordable Rent Definition: Affordable rental housing and affordable rents means housing where the total monthly shelter cost (rent plus utilities) is at or below the lesser of: (1) one times the average City of Toronto rent; or (2) 30% of the before-tax monthly income of renter households in the City of Toronto as follows: - studio units: one-person households at the 50th percentile income; ($32,486) - one-bedroom units: one-person households at the 60th percentile income; ($43,600) - two-bedroom units: two-person households at the 60th percentile income; ($73,901) - three-bedroom units: three-person households at the 60th percentile income. ($74,301).	Large Developments: - Moderate incoming housing: $30,000 to $80,000/year for rental - Affordable rental rates - If development provides units at the outlined prices cash in lieu is not required - To be eligibility for new tenants: 25% of income spent on housing and household income cannot exceed 4 times annual rent Building operator will verify eligibility for existing tenants in Moderate Income Rental Units – set out by the Vancouver Charter - Will test tenants every 5 years after initial occupancy - Existing tenants cannot have a household income that exceeds 5 times the annual rent (20% of income) - If a resident fails to qualify operator will issue a notice to end tenancy with BC Residential Tenancy Act
Option for affordability	Affordable units can be provided as either affordable ownership or affordable rental at the discretion of the developer.	Large Developments:

	City of Toronto	City of Vancouver
Ownership or Rental		- Rental units can be privately owned but units will be secured as rental housing with below-market rents through a Housing Agreement with the City of Vancouver
Affordability Period	99 years	60 years or the life of the building, whichever is greater for all social housing through legal agreements such as section 565.2 of the Vancouver Charter
Sources	https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-172128.pdf City of Toronto IZ https://www.toronto.ca/wp-content/uploads/2021/10/8672-CityPlanning-Draft-Inclusionary-Zoning-Implementation-GuidelinesOct2021.pdf https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-172507.pdf https://www.toronto.ca/legdocs/bylaws/2021/law0941.pdf https://www.toronto.ca/legdocs/bylaws/2021/law0940.pdf	https://bylaws.vancouver.ca/bulletin/bulletin-density-bonus-zoning-public-benefit.pdf https://bylaws.vancouver.ca/zoning/policy-below-market-rental-housing-for-rezonings.pdf https://vancouverplan.ca/wp-content/uploads/Vancouver-Plan-2022-09-23-1.pdf https://vancouver.ca/people-programs/creating-new-market-rental-housing.aspx https://guidelines.vancouver.ca/guidelines-technical-housing-design.pdf https://vancouver.ca/home-property-development/density-bonus-zoning.aspx#:~:text=bulletin%20(2%20MB)-,Density%20Relaxations%20for%20Amenities%20(in%2Dkind),referred%20to%20as%20inclusionary%20zoning. https://vancouver.ca/home-property-development/annual-inflation-index.aspx (inflation rate chart)

	City of Ottawa	Montgomery County, MD
Approach	Require IZ within PMTSAs via an assigned set-aside rate	Mandatory to require a set-aside rate that uses AMI that requires MPUDs to be a part of development within four major categories of development
Background	IZ is currently under review - final report due in 2023 - Ottawa had the third highest rents for major urban centre in Ontario (2018-2020) - intention of IZ is to provide more purpose-built rentals - Target to have 20% of all new res units be affordable (70% of which are within the definition of core affordability and 30% within market affordability) terms - IZ not to target households with the definition of "core affordability" Affordability Targets: Low to moderate - those people in the lowest 60% income distribution for regional market - Ownership calculation will include households with incomes in the lowest 60% of the income distribution - Rental 60% for renters of the income distribution	- Montgomery County's moderately priced dwelling unit (MPDU) program is one of the US's first, IZ laws. It was implemented in 1973 to help meet the goal of providing a full range of housing choices in the county for all incomes, ages and household sizes. An MPDU is a county government-regulated unit that is required to be affordable to households earning 65 percent of area median income (AMI) for garden-style apartments and 70 percent for high-rise apartments. - The program's implementation involves both the public and private sectors, with the local government performing regulatory and administrative functions, and the building industry producing the housing. - Between 12.5 and 15 percent of the total number of units in every subdivision or high-rise building of 20 or more units must be moderately priced, according to the MPDU regulation. - Effective October 31, 2018, developments with less than 20 but more than 10 units are required to make a payment to the Housing Initiative Fund in lieu of an MPDU requirement on-site. - Three agencies within Montgomery County are key to the implementation of the MPDU program: Montgomery County Planning Department, Department of, Housing and Community Affairs (DHCA), and Housing Opportunities Commission (HOC).
Mandatory or Voluntary	Mandatory	Mandatory
Income Figures	Median Total Income (Ottawa-Gatineau) (2020) (CAD $) All families: $107,290 Couple families: $117,110 Lone-parent families: $65,050	- The most recent 5-year estimate for Montgomery County's median household income is $100,352 (source: 2012-2016 American Community Survey 5-Year Estimate). - AMI figures
Developments Impacts	For developments in MTSAs and lands subject to Community Planning Permit Systems PMTSA Map 26 PMTSAs **Considering including an Official Plan policy pursuant to paragraph 10 of subsection 3(1) of Ontario Regulation 232/18 that would allow off-site units only where those units are to be assumed by a non-profit housing provider.* IZ will apply to new developments and additions to existing buildings for 50 units or more residential units or 3,500 square metres of residential GFA even if there is less than 50 units Offsite units	In Montgomery County, affordable housing generally falls into four categories: 12.5-15% is based on building typology for the four categories – law applies to properties zoned one-half acre or smaller that are served by sewer or water lines. Subdivisions not serviced are exempt - Income-Restricted Affordable Housing: A moderately priced dwelling unit (MPDU) is built under a government regulation or a binding agreement requires the unit to be affordable to households at or below the income eligibility for the MPDU program. Under this program, income requirements are usually 65 percent of area median income (AMI) for garden apartments, and 70 percent (AMI) for high-rise apartments. - Income-Restricted Workforce Housing: Chapter 25B of the Montgomery County Code defines housing that is affordable to households earning up to 120 percent of

	City of Ottawa	Montgomery County, MD
	- must be in the same PMTSA as parent development - must be an added benefit (set-aside exceeded) or mix of unit types must be better than on parent development - similar quality (similar finishes) - off-site must be ready for occupancy before or contemporaneous the parent development - do not need a ZBA but need to prove intent of Op is maintained	AMI or less as workforce housing. Income-restricted workforce housing is bound by government regulation and workforce housing is negotiated on a project-by-project basis. When a master plan refers to workforce housing as a part of its affordable housing goals or requirements, household incomes are limited to 100 percent of area median income. Workforce housing rents must be 20 percent lower than market rents. - Market-rate Affordable Housing: Market-rate affordable dwelling units rent at prices affordable to households earning no more than 80 percent of area median income, based on unit and household sizes. These units are typically found in older buildings and their rents are lower than the median rent for the planning area. Market-rate affordable dwelling units are not income-restricted by government regulation and not defined in the Montgomery County Code. - Rent-Restricted Affordable Housing: This term is not currently defined in the Montgomery County Code or commonly used but describes housing where rent increases are limited and no income tests are required for the tenants. The preservation of market-rate affordable housing may require an agreement that both establishes the baseline rent (priced to be affordable at 80 percent of AMI) and rent restrictions (such as requiring a rent increase only according to the voluntary rent guideline).
Exemptions	N/A	- If you provide 25 percent MPDUs, you are exempt from paying transportation and school impact taxes under §52-49 and §52-89. - Other exemptions are outlined within various sections such as unit design.
Incentives & Bonusing	Investigating the potential for financial incentives in the form of fee waivers or tax increment equivalent grants offered through a Community Improvement Plan Possible reduced taxes for those who own/rent an affordable unit to mitigate impacts from assessed value that exceeds affordable prices	- If you provide 20 percent MPDUs, you are not required to provide any other category of public benefit points for optional method projects in the C/R and employment zones. - If you provide 25 percent MPDUs, you are exempt from paying transportation and school impact taxes under §52-49 and §52-89.
Set-aside Rate	Determined by GFA not number of units10% for ownership across all PMTSAs **pre Bill 23* 10% for purpose-built rentals in PMTSAs **pre Bill 23* City of Ottawa staff was directed to consider a 20% set-aside rate but found 20% was unfeasible. - <u>A third-party financial assessment recommends harmonized requirements across all PMTSAs</u>	- 12.5% - 15% is mandatory in the Bethesda Downtown Sector Plan area through the Bethesda Overlay Zone. - Effective on October 31, 2018, planning areas where 45 percent of the United States Census tracts have a median income of 150 percent of Montgomery County's median income will have a legal requirement to provide 15 percent MPDUs. - The planning areas currently included in the requirement are Goshen, Lower Seneca, Darnestown, Travilah, Potomac, North Bethesda and Bethesda-Chevy Chase.

	City of Ottawa	Montgomery County, MD
Unit Design Requirements	- Unclear on most aspects of unit design - Requiring set-aside rate by GFA gives more flexibility to require larger unit sizes and accessible units - Unit mix requirements in the OP policies or zoning regulations to ensure that a sufficient number of multi-bedroom units are set-aside as affordable	To help make MPDUs available at an affordable price, DHCA allows, among other things: - MPDUs may be smaller in terms of square footage than market rate units, not to exceed maximum sizes specified in the applicable regulations. - The finishes of MPDUs may be of a lower standard than for market rate units (for example, Formica countertops instead of granite, and/or standard builder grade cabinetry instead of hard wood finishes, standard builder grade plumbing fixtures instead of top-of-the-line fixtures, etc.). - In single-family detached subdivisions, MPDUs may be single-family attached units. - Some interior space, such as basements, third bedrooms, and lofts, may be left unfinished, and extra bathrooms may be roughed-in, and left unfinished, as long as minimum specifications are met per the applicable regulations. Further design guidelines for MPDU developers: - Unit types (promote but not required, duplexes or singles in a single detached only subdivision - Bedroom mix – single family subdivision must have 3 or more bedrooms unless waived - Multi-family dwellings must match the market-rate units - Ensure liveability requirements are met (i.e. bedroom to bathroom ratios) - Townhome regulations (i.e. back-to-back towns MPDU are prohibited unless otherwise demonstrated) - Garden apartments – a mix of MPDU and market rate units are encouraged on a single garden apartment stairwell - Locational features, innovative site and building configurations, facilitate access to MPDUs, permit enough cluster of singles and duplexes, phase construction (MPDUs are to be built along or before other dwelling units), etc.
Depth of Affordability	IZ Targets: Moderate income households are within the 40th to 60th distributions - 60th = 30% of total income to be affordable - Target is 40-60 See Table 1: (Targets) - <u>Ownership = $420,000</u> - <u>It is desired that non-profit could purchase these units and then convert the units to affordable rentals</u>	Maximum Income Limits for MPDU Rentals: Link: - Do not renew leases where earnings are higher than the applicable levels outlined in the AIM
Option for affordability Ownership or Rental	Affordable units can be provided as either affordable ownership or affordable rental at the discretion of the developer.	Both Rentals and Sale Ownerships. - The Montgomery County Department of Housing and Community Affairs lists the income eligibility for the MPDU programs on its website. The agency categorizes eligibility by for-sale dwellings and rentals (generally 65 percent of area median income for garden-style, 70 percent of area median income for high-rise apartments) and for workforce housing (80 to 120 percent of area median income). - Income limits are based on the area median income set by the United States Department of Housing and Urban Development (HUD) for a particular fiscal year.

	City of Ottawa	Montgomery County, MD
Affordability Period	99-year affordability period for ownership units - Non-profit may purchase the units from for-profit developers and move ownership units to rental if possible 25-year affordability period for purpose-built rentals (if and when subject to IZ)After period ends the City is allowed to take 50% of the proceeds of the sale of an affordable unit	In 2004, the Montgomery County Council amended the MPDU control period governing for-sale MPDUs from 10 years to 30 years and for rental MPDUs from 20 years to 99 years
Sources	https://pub-ottawa.escribemeetings.com/filestream.ashx?DocumentId=73819 https://pub-ottawa.escribemeetings.com/filestream.ashx?DocumentId=73817 https://pub-ottawa.escribemeetings.com/filestream.ashx?documentid=90399 https://pub-ottawa.escribemeetings.com/filestream.ashx?DocumentId=73822 https://ottawa.ca/en/planning-development-and-construction/official-plan-and-master-plans/new-official-plan/volume-1#section-7fe49ebf-c933-4670-9794-c17c11fa1235 https://documents.ottawa.ca/sites/documents/files/section4_op_en.pdf	https://montgomeryplanning.org/planning/housing/ https://www.montgomerycountymd.gov/DHCA/housing/singlefamily/mpdu/produced.html https://www.montgomerycountymd.gov/DHCA/MPDU/mpdu-program.html https://www.montgomerycountymd.gov/DHCA/MPDU/mpdu-Developers.html memorandum AMI figures https://www.housingfinance.com/policy-legislation/montgomery-county-md-12-000-units-created-bymontgomery-county-program_o https://www.montgomerycountymd.gov/DHCA/MPDU/index.html https://www.housingfinance.com/policy-legislation/montgomery-county-md-12-000-units-created-bymontgomery-county-program_o

	New York City, NY	Boston, MA
Approach	Mandatory for all developments that meet criteria for size and number of units. Based on an AMI calculation. Bonusing is a method of action.	A combination of mandatory and voluntary IZ policies. Mandatory until zoning changes are needed to facilitate development otherwise voluntary.
Background	New NYC MIH Program Implemented in 2016 for Mandatory, but originally started as Voluntary in 1987. https://www.toronto.ca/wp-content/uploads/2019/11/981e-CityPlanning-Mandatory-Inclusionary-Housing-in-NYC.pdf	Known as an Inclusionary Development Policy – first created in 2000 and was updated in 2015 - Since 2022 Mayor Wu has been working with a consultant to lower the threshold requirements for IDP from 10 to 7 for rental projects and increase the set-aside rate from 13% to 20% and deepening affordability. The City has separated itself into three housing zones (A, B, and C) to recognize price differences across the City. The three zones were revised in 2015 to set different buyout and off-site requirements. The zones determine the amount of on-site IDP required under IDP. An increase from 13% to 20% is now required in Zone A and B categories. Zone category determines a value in calculations for properties. For example, for rental projects Zone A, contribution for the equivalent of 18% of the total number of units is multiplied by the Zone Factor of $380,000 per unit; Zone B 15%, $300,000, and Zone C, 15%, $200,000. https://www.bostonplans.org/getattachment/91c30f77-6836-43f9-85b9-f0ad73df9f7c

	New York City, NY	Boston, MA
		- Zone A: the neighbourhood median fell in the top third of sales values per square foot - Zone B: the neighbourhood median fell in the middle third of sales values per square foot - Zone C: the neighbourhood median fell in the bottom third of sales per square foot
Mandatory or Voluntary	Mandatory	Mandatory
Income Figures	Median household income USD **$70, 663** (2017-2021) in 2021 dollars https://www.census.gov/quickfacts/fact/table/newyorkcitynewyork#	Median household income USD **$81,744** (2017-2021) in 2021 dollars https://www.census.gov/quickfacts/fact/table/bostoncitymassachusetts/INC110221
Developments Impacts	Under the proposal, the City Planning Commission and ultimately the City Council would apply one or both of these two requirements to each Mandatory Inclusionary Housing area: - 25% of residential floor area must be for affordable housing units for residents with incomes averaging 60% AMI ($46,620 per year for a family of three), or 30% of residential floor area must be for affordable housing units for residents with incomes averaging 80% AMI ($62,150 per year for a family of three - *In addition to one or both of the options above, the City Council and the City Planning Commission could decide to apply one or both of the following options: Deep Affordability Option - 20% of the total residential floor area must be for housing units for residents with incomes averaging 40% AMI ($31,080 per year for a family of three) No direct subsidies could be used for these units except where needed to support more affordable housing Workforce Option - 30% of the total residential floor area must be for housing units for residents with incomes averaging 115% AMI ($89,355 per year for a family of three) - No units could go to residents with incomes above 135% AMI ($104,895/year for a family of 3) Options selected will be chosen by the City Council during their vote on the rezoning of the subject property. - The Workforce Option and Deep Affordability Option can only be mapped in conjunction with one of the other options, and no public funding, as	Applies to any residential Proposed Project of ten or more units either: - Financed by the City - On property owned by the City or the BRA; or - That requires zoning relief. Proposed Policy: IZ - Developments that do not need zoning relief (built “as of right”) will still have to support income-restricted housing. - The trigger for participation will be lowered from 10 units to 7 units. - Under the new policy, rather than require a set number of inclusionary units, requirements will be calculated in square footage, to allow for more flexibility and the production of family-sized units. Asset Limits Properties set-aside for incomes of less than 80% AMI: $75,000 Properties set-aside for incomes more than 80% AMI: $100,000 Applicants for rental units where all household members are over the age of 65 years: $250,000 Income guidelines vary by development, but most BPDA opportunities are available to renters with incomes up to 70% and homebuyers with incomes up to 100% of area median income (AMI).

	New York City, NY	Boston, MA
	defined in the Zoning Resolution, is permitted for the Workforce Option. The Workforce Option is not available in Manhattan Community Boards 1-8. No direct subsidies could be used for these affordable housing units - This could not apply to Manhattan Community Districts 1-8, which cover south of 96th Street on the east side and south of 110th Street on the west side	
Exemptions	N/A	- The Proposed Project is financed as one entity and 40% or more of the units within the proposed project are income restricted or otherwise preserved as affordable; - The Proposed Project is a Dormitory - As specified in applicable sections in the zoning code Proposed projects may choose to meet their IDP requirements by contributing the equivalent of 18% of the total number of units multiplied by the greater of either the Zone Factor for (Zone A, B, or C) or half the difference between the average actual market rate price and the affordable price per unit, by unit type
Incentives & Bonusing	Affordable housing is mandatory and permanent. Bonusing is available for developments	N/A
Set-aside Rate	Mandatory Inclusionary Housing will result in more affordable housing for a wider range of New Yorkers, all of it required as a condition to build housing on the land. It is responsive to neighborhood needs, with a set of income mix options that the City Planning Commission and Council can work together to apply within each rezoned area through the land use process. - 25% of residential floor are (RFA) 60% AMI ($46,620 per year for a family of three), or - 30% of RFA 80% AMI ($62,150 per year for a family of three) - additional policies can be put in place (said in development impact section)	Citywide, Proposed Projects subject to IDP may meet their requirements by designating 13% of the total number of units On-site. (a higher rate is being studied)
Unit Design Requirements	Unit design follows the HPD design guidelines for New Construction that address the following needs: - Accessible design + construction - Equitable & healthy buildings - Sustainability - Flood resistant - Active design - Aging in place - Commercial and retail spaces	All IDP Units are comparable in design and quality to the market-rate units - Not be stacked or concentrated on the same floors - Be consistent in bedroom count with the entire proposed project - Have comparable square footage as units in the rest of the Proposed project

	New York City, NY	Boston, MA
Depth of Affordability	Generally speaking, Inclusionary units must be affordable to low income households earning up to 80% of Area Median Income (AMI) and rents capped at 30% of 80% of AMI. However, in some Special Districts, depending on the district, a density bonus may be granted for moderate and/or middle income units (125% - 175% AMI).	Affordable to households earning between 80% to 120% of the Boston Area Median Income (AMI). AMI found here: Find out if you qualify
Option for affordability Ownership or Rental	Both rental and ownership	Both rental and ownership
Affordability Period	Permanent	30 years, with a subsequent extension of 20 more years at discretion of BRA, for an effective total of 50 years.
Sources	https://www1.nyc.gov/assets/planning/download/pdf/plans-studies/mih/mih_report.pdf IHP https://www.nyc.gov/site/planning/zoning/districts-tools/inclusionary-housing.page https://zr.planning.nyc.gov/article-ii/chapter-3#23-012 https://zr.planning.nyc.gov/appendix-f-inclusionary-housing-designated-areas-and-mandatory-inclusionary-housing-areas https://www.nyc.gov/assets/hpd/downloads/pdfs/services/hpd-design-guidelines-for-new-construction.pdf	https://www.bostonplans.org/projects/standards/inclusionary-development-policy https://www.jpnc.org/development-guidelines/inclusionary-zoning/#:~:text=To%20ensure%20that%20there%20are,Area%20Median%20Income%20(AMI). http://www.bostonplans.org/housing/income-asset-and-price-limits https://www.bostonplans.org/news-calendar/news-updates/2022/12/15/mayor-wu-announces-strategy-for-inclusive-growth-b https://www.bostonplans.org/getattachment/da67d384-8323-4821-9dc8-3fb1aba6f852 https://www.bostonplans.org/getattachment/91c30f77-6836-43f9-85b9-f0ad73df9f7c

	City of Mississauga
Approach	Require IZ within PMTSAs via an assigned set-aside rate
Background	To provide a range of affordable prices and rents, the City, in consultation with the Region of Peel, will establish maximum prices and rents on an annual basis during the affordability period for affordable ownership housing units and affordable rental housing units as follows, and in accordance with Implementation Guidelines: - one-bedroom units will be priced at or below the maximum purchase price for the 4th income decile or rented at or below the maximum rent for the 4th renter income decile; - two-bedroom units will be priced at or below the maximum purchase price for the 5th income decile or rented at or below the maximum rent for the 5th renter income decile; and - three-bedroom units will be priced at or below the maximum purchase price for the 6th income decile or rented at or below the maximum rent for the 6th renter income decile. The City also receives a portion of the net proceeds from the sale of affordable ownership housing units.
Mandatory or Voluntary	Mandatory minimums and funding/incentives

	City of Mississauga
Income Figures	Median Total Income (Toronto) (2020) (CAD $) All families: $96,700 Couple families: $104,960 Lone-parent families: $59,120
Developments Impacts	Requires affordable housing units in new developments in the Major Transit Station Areas (MTSAs). More specifically new/redevelopments proposing 50 or more residential units, or 3,600 sqm or more of GFA, and located within specified IZ Areas. The percentage of GFA in Ownership Housing and rentals vary depending on each specific IZ Area, and the time period. This will provide a range of affordable prices and rents.
Exemptions	IZ By-laws will not apply to: - long-term care buildings, retirement buildings, hospices, staff/student residences, group homes, or not-for profit buildings; - Region of Peel or Peel Housing Corporation projects; - approved development, as specifically identified as exempt in the zoning by-law, that is already subject to an affordable housing contribution requirement as of June 22, 2022. IZ By-laws will apply to additional development permissions for such lands; - development or redevelopment meeting the exemption criteria under the Planning Act or related Ontario Regulations; and - notwithstanding 7.3.2, in no case will IZ By-laws apply to development or redevelopment of less than 10 residential units. - Projects where non-profit housing provider has an interest that is > 51% and > 51% of units are affordable. - Projects with rezoning and / or OPA application(s) along with a subdivision or condominium application at the time the IZ OP policies are adopted. - Projects with a building permit or site plan application at the time the IZ By-law is passed.
Incentives & Bonusing	Financial incentives will not be provided for affordable housing units provided in accordance with Policy 7.3.2 of this Plan. An IZ By-law may identify reductions to parking rates for affordable rental housing units and affordable ownership housing units in accordance with recommendations of City-wide parking studies.
Set-aside Rate	- Mississauga's IZ Official Plan Policy (August 10, 2022): After an initial phase-in period, Mississauga's Official Plan requires set-aside rates that range from 5% to 10% depending on the location in the city. - Proposed Change to Provincial Regulation O.Reg. 232/18: Currently, there is no upper limit to the set-aside rate in the Provincial Regulation. The Province of Ontario is proposing to limit the maximum set-aside rate a municipality can require to 5%. - See Table 2
Unit Design Requirements	N/A
Depth of Affordability	- Mississauga's IZ Official Plan Policy (August 10, 2022): Mississauga's current Official Plan policies indicate that housing is affordable if it costs no more than 30% of gross annual household income. The IZ policy is targeted to housing for moderate income households. - For affordable ownership units, this equates to prices that are no greater than about 50% to 60% of resale market prices. - For affordable rental units, this equates to rents that are no greater than Average Market Rent as established by Canada Mortgage and Housing Corporation (CMHC). - Proposed Change to Provincial Regulation O.Reg. 232/18 : Currently, there are no price/rent requirements in the Provincial Regulation. Other Provincial policy documents define affordability as housing that costs no more than 30% of gross annual household income. - The Province is proposing to require that municipalities cannot set the affordable price any lower than 80% of resale prices for ownership units

	City of Mississauga
	- The Province is proposing to require that municipalities cannot set the affordable rent any lower than 80% of Average Market Rent for rental units.
Option for affordability Ownership or Rental	N/A
Affordability Period	- Mississauga's IZ Official Plan Policy (August 10, 2022): Currently, ownership units must stay affordable for 99 years and rental units must stay affordable for 25 years (plus a 5-year phase out). - Proposed Change to Provincial Regulation O.Reg. 232/18: The current Provincial Regulations do not set any limits to the affordability term. The Province is proposing to change the regulation so that the maximum affordability period a municipality can require is 25 years.
Sources	https://yoursay.mississauga.ca/inclusionary-zoning-policy-for-affordable-housing Next steps doc https://www.mississauga.ca/city-of-mississauga-news/news/more-affordable-housing-for-mississauga-inclusionary-zoning-moves-forward/

Appendix 2 – Planning Act Requirements and How Addressed

The Table below sets out a comprehensive list of the provisions and requirements and outlines how each issue is or will be addressed

Planning Act Requirements	How Addressed
16(4) Official Plan may include IZ policies where MTSAs have been identified or in community Planning Permit Areas	Region Official Plan Amendment No 6 Includes Identifies PMTAS. It was adopted in August 2023 and approved by the Minster in April 2023. Lower tier municipalities (now forming part of an upper-tier municipality without planning responsibilities) will be amending their Official Plans to identify PMTSAs in ROPA 6 as per the Planning Act
16(6)OP must include IZ goals and objectives and measures and procedures to attain these	Needs to be included in Cities' Official Plans
16(9) Prepare an assessment report before adopting IZ policies	See Assessment Report section of this report
16(10) Assessment reports must be updated every 5 years to determine if IZ policies should be amended	The Partners must plan, and budget assessment report updates as described in the monitoring and reporting section of this report
16(16) where there is upper planning authority IZ can only apply where upper tier OPs have PMTSA identified, delineated and include minimum targets for person and jobs per hectare; as well as policies requiring lower tier OPs to regulate land use and minimum building densities in upper tier official plan	Current regime to be replaced by bill 23 on a date to be proclaimed. It is expected to be no earlier than Winter 2024.
16(15) Where there is no upper tier planning authority IZ can only apply where (Area Municipal) OPs have PMTSAs identified, delineated and include minimum targets for person and jobs per hectare, regulations regarding use and minimum densities for buildings	Assuming the regime will be in effect. IZ must be co-incident with or follow updated lower tier OP policies for MTSAs that include these provisions
17(24.1.2-24.1.3); 17(36.1.2); 34(11.0.6); 34(19.3-19.3.1) IZ zoning by-laws and OP policies, requirements and standards cannot be appealed except by the Minster	No action required
35.2(1) Council may pass zoning by-laws to give effect to IZ policies under section 16(4). It must include any prescribed Provincial standards	(There are no prescribed standards)
35.2(2)a an IZ bylaw shall require and specify the number of affordable housing units required or; the gross floor area required	See Set-Aside Rate section of this report
35.2(2)b an iz by-law shall require that units be maintained as affordable for a period of time	See discussion of Duration of Affordability section of this report

Planning Act Requirements	How Addressed
(c-d) may require that the affordable housing units meet additional requirements and standards specified in the by-law	See discussion on Unit Size and Number of Bedrooms section of this report
(e-f) may provide for measures and incentives to support those policies	See discussion of Incentives and Offsets section of this report
g) shall require that when the affordable housing units are sold or leased, they be priced or leased at the rent determined under the by-law	See Unit Ownership and Occupation section of this report
(h) shall include the prescribed provisions and provisions about the prescribed matters; and	Various
Ii) shall require that the owners of any to enter into agreements with the municipality, dealing with the matters mentioned in clauses (a) to (h) and ensuring continued compliance	See Implementation and Administration section of this report
35.2(3-4) council shall establish a procedure to ensure that affordability is maintained	See Implementation and Administration section of this report
35.2(5) council may authorize the provision of required affordable units offsite	See Incentives and Offsets section of this report
35.2(6) Council may not accept cash in lieu of affordable units	Cash in lieu not included in by-law or policy
(7) Agreements may be registered on title	See Implementation and Administration section of this report
(8) The remedies for non-compliance with an agreement outlined in section 446 of the Municipal Act are Applicable (viz right of entry, adding cost to tax roll, charge interest and apply liens)	See Implementation and Administration section of this report
(9) municipalities shall provide prescribed reports and information concerning affordable units.	See Monitoring and Reporting section of this report

O. Reg. 232/18 Requirements	How Addressed
1 An analysis of demographics and population in the municipality.	An analysis of all the requirements is addressed in the 2020 NBLC report, The Kitchener Housing Needs Assessment Report (2020), City of Waterloo, Need and Demand Analysis (2020), and Region of Waterloo Housing and Homelessness Assessment (2019). Cambridge is intends to ensure are these requirements are addressed through the Regional Official Plan, A Cambridge Official Plan Official Plan review, and ongoing housing studies.
2 An analysis of household incomes in the municipality.	An analysis of all the requirements is addressed in the 2020 NBLC report, The Kitchener Housing

O. Reg. 232/18 Requirements	How Addressed
3 An analysis of housing supply by housing type currently in the municipality and planned for in the official plan.	Needs Assessment Report (2020), City of Waterloo, Need and Demand Analysis (2020), and Region of Waterloo Housing and Homelessness Assessment (2019). Cambridge is intends to ensure are these requirements are addressed through the Regional Official Plan, A Cambridge Official Plan Official Plan review, and ongoing housing studies.
4 An analysis of housing types and sizes of units that may be needed to meet anticipated demand for affordable housing.	
5 An analysis of the current average market price and the current average market rent for each housing type, taking into account location in the municipality.	
6 An analysis of potential impacts on the housing market and on the financial viability of development or redevelopment in the municipality from IZ by-laws, 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.	This is addressed in Urban Metrics' peer review dated September 16, 2020.

Official Plan Policies	How issues are addressed
Official plan policies described in subsection 16 (4) of the Act shall set out the approach to authorizing IZ, including the following:	
1. The minimum size, not to be less than 10 residential units, of development or redevelopment to which an IZ by-law would apply.	See Exemptions section of this report
2. The locations and areas where IZ by-laws would apply.	IZ is anticipated to apply to all 24 MTSAs in Waterloo Region. Policy requirements are proposed to be tailor based on the market of each individual MTSA
3. The range of household incomes for which affordable housing units would be provided.	See Eligibility and waitlist section of this report
4. The range of housing types and sizes of units that would be authorized as affordable housing units.	See Unit Size and Number of Bedrooms section of this report

Official Plan Policies	How issues are addressed
5. the number of affordable housing units, or the gross floor area to be occupied by the affordable housing units, that would be required.	See discussion of Set-Aside Rate section of this report
6. the period of time for which affordable housing units would be maintained as affordable.	See discussion of Duration of Affordability section of this report
7. How incentives would be determined	See Incentives and Offsets section of this report
8 how the price or rent of affordable housing units would be determined	See Maximum Rent of Price section of this report
9. the approach to determine the percentage of the net proceeds to be distributed to the municipality from the sale of an affordable housing unit, including how net proceeds would be determined	See Unit Ownership and Occupation section of this report
10. The circumstances in and conditions under which offsite units would be permitted,	See Incentives and Offsets section of this report
11. the circumstances in which an offsite unit would be considered to be in proximity to the development or redevelopment giving rise to the by-law requirement for affordable housing units.	See Incentives and Offsets section of this report
12. the procedure required under subsection 35.2 (3) of the Act to monitor and ensure that the required affordable housing units are maintained for the required period of time	See Monitoring and Reporting section of this report
13. net proceeds of sale A by-law and registered agreement may require a portion of the proceeds of a sale of an affordable ownership housing unit be distributed to the municipality (no more than 50%)	Affordable Ownership not recommended
14. Offsite Units Offsite units cannot be provided unless there are circumstances and conditions that need to be satisfied spelled out in the official plan. Offsite units must be in proximity to the subject development, located on lands where IZ policies apply, and not be double counted	See Incentives and Offsets section of this report

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