

**Sent Via Email**

December 15, 2025

City of Kitchener  
200 King St W  
Kitchener, ON N2G 4V6l

**RE: Build Urban's Perspective on IZ - Market Concerns and Support for Reduced Set-Aside Rates**

Dear Mayor Vrbanovic and Members of Council,:

I am writing on behalf of Build Urban to provide comments on Councillor Bill Ioannidis' motion presented to Council on December 15 to amend the City of Kitchener's Inclusionary Zoning (IZ) set-aside rates for new residential developments within Protected Major Transit Station Areas (PMTSAs).

The updated 2025 Residential Market Assessment, prepared by N. Barry Lyons Consulting (NBLC), highlights the significant challenges currently facing the local housing market. Key indicators include sharply rising construction costs, collapsed pre-sale activity, high unsold condominium inventory, and the absence of any 50+ unit housing developments within PMTSAs this year. These conditions illustrate a housing market that is fragile and, in many ways, stalled. Implementing the original IZ requirements under such circumstances would impose additional costs on projects that are already financially marginal, risking further delays or cancellations of much-needed housing.

Build Urban does not support implementing IZ in the current market, as doing so would exacerbate these challenges rather than address the underlying need for new housing supply. However, we recognize that Councillor Ioannidis' proposed motion—to reduce the set-aside rates from 2% to 0.5% and from 1% to 0.25% for 2026 and 2027—represents a pragmatic adjustment. This change acknowledges the City's willingness to respond to market realities while maintaining the long-term intent of IZ to create affordable housing.

Build Urban is requesting a small refinement to the motion to ensure that these reduced rates remain time-limited, tracked carefully, and based on real market data, while aligning with the reporting requirements under provincial legislation. The proposed changes have been reflected in bold in the appendix to this letter. It ensures that any future adjustments are evidence-based, provides clarity for builders, and maintains accountability to the public.

We appreciate the City's responsiveness in meeting the development community partway. By temporarily reducing the set-aside rates, Council can help ensure that new residential developments remain viable, supporting continued housing construction while preserving the potential for affordable housing outcomes when market conditions improve.

Thank you for your consideration.

Sincerely,



Melissa Durrell,  
Executive Director, Build Urban

CC: City of Kitchener, Clerk's Office

**APPENDIX 1:**

Councillor Ioannidis IZ Motion Wording:

“WHEREAS Staff retained N. Barry Lyons Consulting (NBLC) land economists to conduct an updated 2025 Residential Market Assessment (“report”) which analyzed the recent local market activity and conditions;

WHEREAS the updated 2025 Residential Market Assessment (“report”) reinforced multiple key indicators, the market and economic context for investing in new high density residential development in Protected Major Transit Station Areas (PMTSA) is markedly more challenging than it was in 2024 when Inclusionary Zoning was approved by Council; and,

WHEREAS the City’s residential market continues to experience limited activity, to date, there have been no 50+ unit housing developments started this year within the City’s PMTSAs (50+ unit developments trigger IZ); and,

WHEREAS population growth, development feasibility; condominium market trends and the rental market outlooks are all factors that are adding challenges to high density developments in the PMTSA; and,

WHEREAS the development community has expressed concerns that Inclusionary Zoning now is ill-timed due to the current stagnation of the housing market, noting suggestions that the requirements only begin once the number of housing starts are above historic averages; and,

WHEREAS set-aside rates were established for 2026, but may have a negative impact on the construction of new units;

THEREFORE BE IT RESOLVED that staff be directed to prepare a City initiated Official Plan Amendment and Zoning By-law Amendment to change the Inclusionary Zoning set aside rate from 2% to 0.5% and from 1% to 0.25% in their respective PMTSA; and,

THEREFORE BE IT FURTHER RESOLVED that these set aside rates be maintained for 2026 and 2027; and,

THEREFORE BE IT FURTHER RESOLVED that the effective date of the Zoning By-law amendment shall be the effective date for the purpose of section 8(1)(d) of O.Reg 232/18;

THEREFORE BE IT FINALLY RESOLVED that staff be directed to report back on local market conditions occur in 2027, 2029, and 2031.”

## APPENDIX 1:

Build Urban Proposed Update:

WHEREAS Staff retained N. Barry Lyons Consulting (NBLC) land economists to conduct an updated 2025 Residential Market Assessment (“report”) which analyzed the recent local market activity and conditions;

WHEREAS the updated 2025 Residential Market Assessment (“report”) reinforced multiple key indicators, the market and economic context for investing in new high density residential development in Protected Major Transit Station Areas (PMTSA) is markedly more challenging than it was in 2024 when Inclusionary Zoning was approved by Council; and,

WHEREAS the City’s residential market continues to experience limited activity, to date, there have been no 50+ unit housing developments started this year within the City’s PMTSAs (50+ unit developments trigger IZ); and,

WHEREAS population growth, development feasibility; condominium market trends and the rental market outlooks are all factors that are adding challenges to high density developments in the PMTSA; and,

WHEREAS the development community has expressed concerns that Inclusionary Zoning now is ill-timed due to the current stagnation of the housing market, noting suggestions that the requirements only begin once the number of housing starts are above historic averages; and,

WHEREAS set-aside rates were established for 2026, but may have a negative impact on the construction of new units; and,

WHEREAS the Planning Act requires that an updated Inclusionary Zoning assessment report be prepared within five years of the IZ policies coming into effect (by April 2029), and O. Reg. 232/18 requires that a monitoring report be prepared and made publicly available every two years after the IZ by-law is passed;

THEREFORE BE IT RESOLVED that staff be directed to prepare a City-initiated Official Plan Amendment and Zoning By-law Amendment to change the Inclusionary Zoning set aside rate from 2% to 0.5% and from 1% to 0.25% in their respective PMTSA; and,

THEREFORE BE IT FURTHER RESOLVED that these set aside rates be maintained for 2026 and 2027, **until such time as the 2027 monitoring report required under Section 7 of O. Reg. 232/18 is prepared and presented to Council; and,**

THEREFORE BE IT FURTHER RESOLVED that the effective date of the Zoning By-law amendment shall be the effective date for the purpose of section 8(1)(d) of O.Reg 232/18; and,

THEREFORE BE IT FINALLY RESOLVED that staff be directed to report back on local market conditions in 2027, 2029, and 2031, **with the 2029 report fulfilling the updated assessment report requirements under subsection 16(10) of the Planning Act.**