

An Update on the Draft Inclusionary Zoning Assessment Report Results and Policy Directions

Planning & Growth Management Committee
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Tara Buonpensiero and Farad Wahab
Regional Planning & Growth Management
Region of Peel

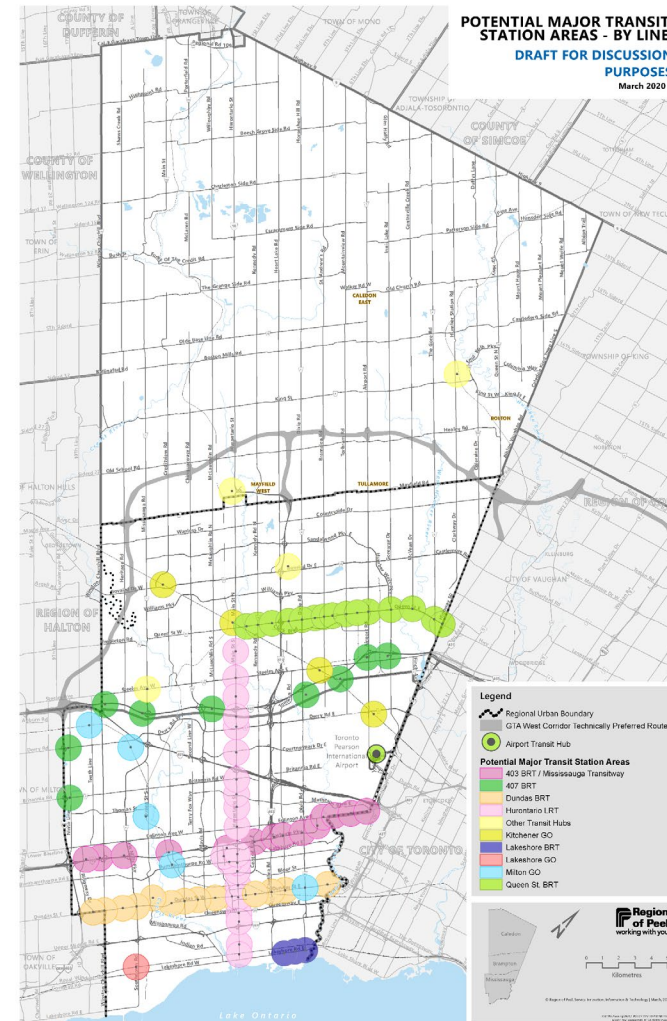
Nick Michael
Partner
N. Barry Lyon Consultants (NBLC)

Agenda

- Overview of Inclusionary Zoning (IZ)
- Overview of the demographic and housing affordability needs
- NBLC Draft Feasibility Analysis Results
- Draft Policy Directions
- Next Steps

Overview of IZ

- IZ enables municipalities to require that a proportion of units within proposed residential developments located in protected major transit station areas (PMTSAs) be provided at affordable rates.
- Within Peel, protected MTSAs are those that are delineated in the Regional Official Plan ("Primary" and "Secondary" MTSAs).
- Planned MTSAs in Peel will meet the criteria for 'protection' (and eligible for IZ) once they are delineated in the Regional Official Plan as Primary or Secondary MTSAs in the future.



Meeting Provincial Requirements for the Assessment Report

Regional Housing Strategy Update

Feasibility Analysis (NBLC)

Peer Review

2. (1) An assessment report required by subsection 16 (9) of the Act shall include information to be considered in the development of official plan policies described in subsection 16 (4) of the Act, including the following:

1. An analysis of demographics and population in the municipality.
2. An analysis of household incomes in the municipality.
3. An analysis of housing supply by housing type currently in the municipality and planned for in the official plan.
4. An analysis of housing types and sizes of units that may be needed to meet anticipated demand for affordable housing.
5. An analysis of the current average market price and the current average market rent for each housing type, taking into account location in the municipality.

6. An analysis of potential impacts on the housing market and on the financial viability of development or redevelopment in the municipality from inclusionary zoning 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.

(2) The analysis described in paragraph 6 of subsection (1) shall take into account the following related to growth and development in the municipality:

1. Provincial policies and plans.
2. Official plan policies.

Affordable Rental Housing Needs

Comparing Toronto Real Estate Board (TREB) Q4 Average Market Rents for Apartments with Affordable Rents by Renter Household Income Deciles: Peel Region, 2019

Peel Region Income Deciles (2019)				TREB AMR by Unit Type, 2019 (Apartments)			
				Bachelor	1 Bedroom	2 Bedroom	3 Bedroom +
				\$1,730	\$2,143	\$2,536	\$2,626
Low Income Households	Decile 1	\$15,793	\$395	No	No	No	No
	Decile 2	\$24,567	\$614	No	No	No	No
	Decile 3	\$34,138	\$853	No	No	No	No
Moderate Income Households	Decile 4	\$43,234	\$1,081	No	No	No	No
	Decile 5	\$53,085	\$1,327	No	No	No	No
	Decile 6	\$63,513	\$1,588	No	No	No	No
High Income Households	Decile 7	\$76,600	\$1,915	Yes	No	No	No
	Decile 8	\$93,815	\$2,345	Yes	Yes	No	No
	Decile 9	\$121,964	\$3,049	Yes	Yes	Yes	Yes
	Decile 10	\$121,965+	\$3,050+	Yes	Yes	Yes	Yes

Yes = Affordable

No = Not Affordable

Source: Toronto Real Estate Board Rental Market Report Q4 2019, Statistics Canada Custom Tabulation data 2016 and Region of Peel Affordable Rental Price Calculation and spending 30% on housing costs

- Overall, only high-income renter households who earn \$76,600+ can afford to rent an apartment in Peel
- Low- and moderate- income households who earn at or below \$63,513 cannot afford an apartment

Affordable Ownership Housing Needs

Comparing Peel Region Average Home Prices to Affordable Home Prices by Household Income

Deciles: Peel Region, 2019

Peel Region Income Deciles (2019)				Average Home Price by Home Type (2019)				
				All homes	Condo	Town / Row	Semi	Detached
				\$754,250	\$466,729	\$607,653	\$704,245	\$954,453
Low Income Households	Decile 1	\$30,062	\$115,135	No	No	No	No	No
	Decile 2	\$46,608	\$178,504	No	No	No	No	No
	Decile 3	\$61,642	\$236,084	No	No	No	No	No
Moderate Income Households	Decile 4	\$76,930	\$294,634	No	No	No	No	No
	Decile 5	\$93,137	\$356,707	No	No	No	No	No
	Decile 6	\$110,456	\$423,038	No	No	No	No	No
High Income Households	Decile 7	\$131,374	\$503,297	No	Yes	No	No	No
	Decile 8	\$158,712	\$612,827	No	Yes	Yes	No	No
	Decile 9	\$203,944	\$794,156	Yes	Yes	Yes	Yes	No
	Decile 10	\$203,945+	\$794,157+	Yes	Yes	Yes	Yes	Yes

Yes = Affordable

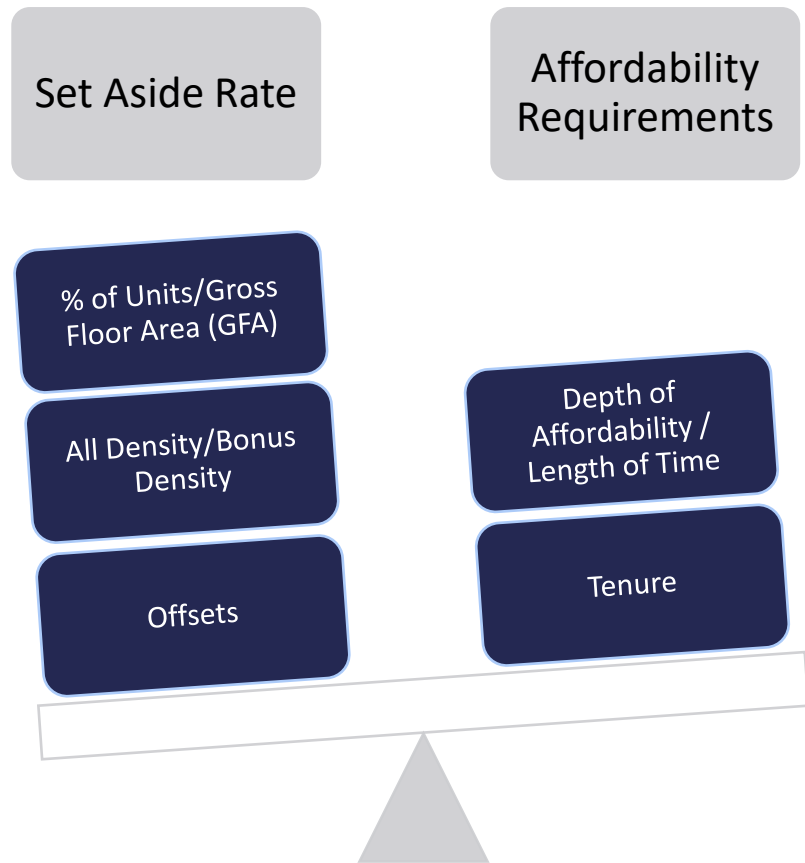
No = Not Affordable

Source: Toronto Real Estate Board Market Outlook 2019, Statistics Canada Custom Tabulation data 2016 and Region of Peel Affordable House Price Calculation based on a 5% down payment and spending 30% on housing costs

- Overall, only high-income households who earn \$131,374+ can afford to own a home in Peel
- Low- and moderate- income households who earn at or below \$110,456 cannot afford anything

IZ Components

nblc



The Conceptual IZ Policy Assessed

- Set Aside Rate: 10% of gross floor area (GFA) – applied to the entire building
- Rental: 100% average market rent (AMR) – assumed for 25 years and perpetuity
- Ownership:
 - 1 Bedroom: \$294k (4th income decile)
 - 2 Bedroom: \$356k (5th income decile)
 - 3 Bedroom: \$423k (6th income decile)
- No financial incentives
- Other offsets (e.g. density increase, transit investment, land use change) considered

The Major Transit Station Areas (MTSAs) Assessed

Caledon (1):

Bolton GO (future) -6 storeys

Brampton (4):

Mount Pleasant GO – 10 storeys

Downtown GO – 10 and 38 storeys

Bramalea GO – 21 storeys

Gateway (shoppers world) – 27 storeys

Mississauga (10):

Hurontario Corridor (Port Credit – Uptown) – 25 to 30 storeys

Clarkson GO – 25 storeys

Tomken – 6 storeys

Dixie/Lakeshore – 6 storeys

Ninth Line – 6 storeys

Glen Erin – Stacked Townhomes

Assessment Report Methodology



Residual Land Value (RLV) Model

Market Research & Proforma Analysis

A) Revenue

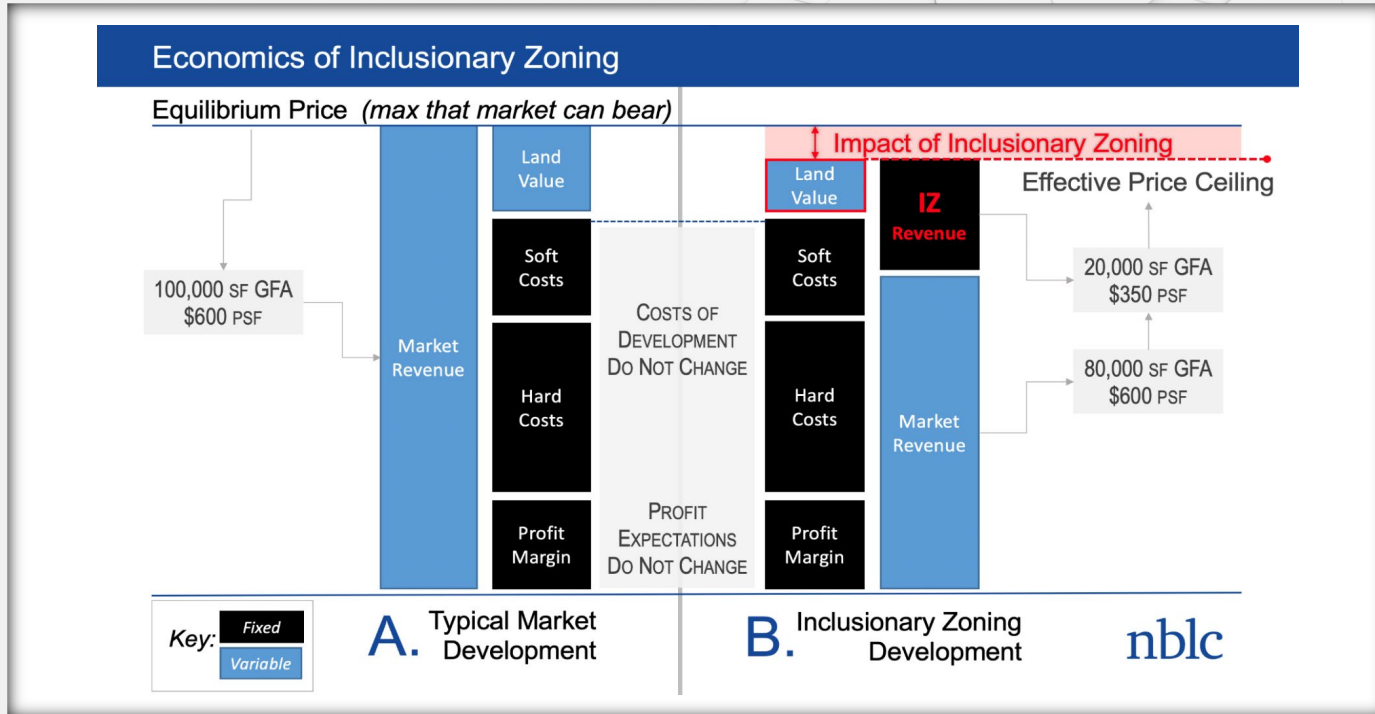
B) Costs

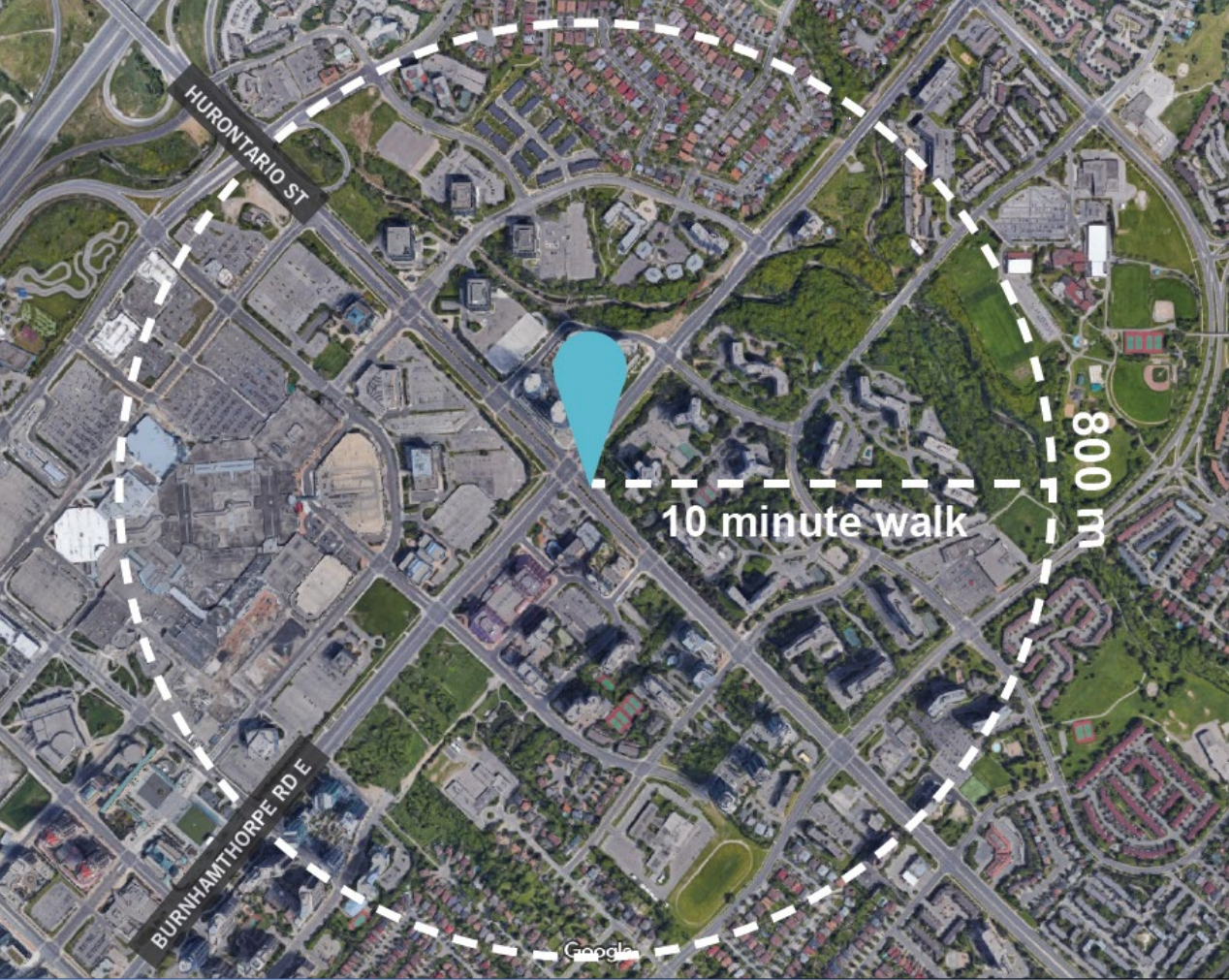
C) Profit

$$A - B - C = D$$

D= Residual Land Value

Inclusionary Zoning Illustrated





Assessing Impacts

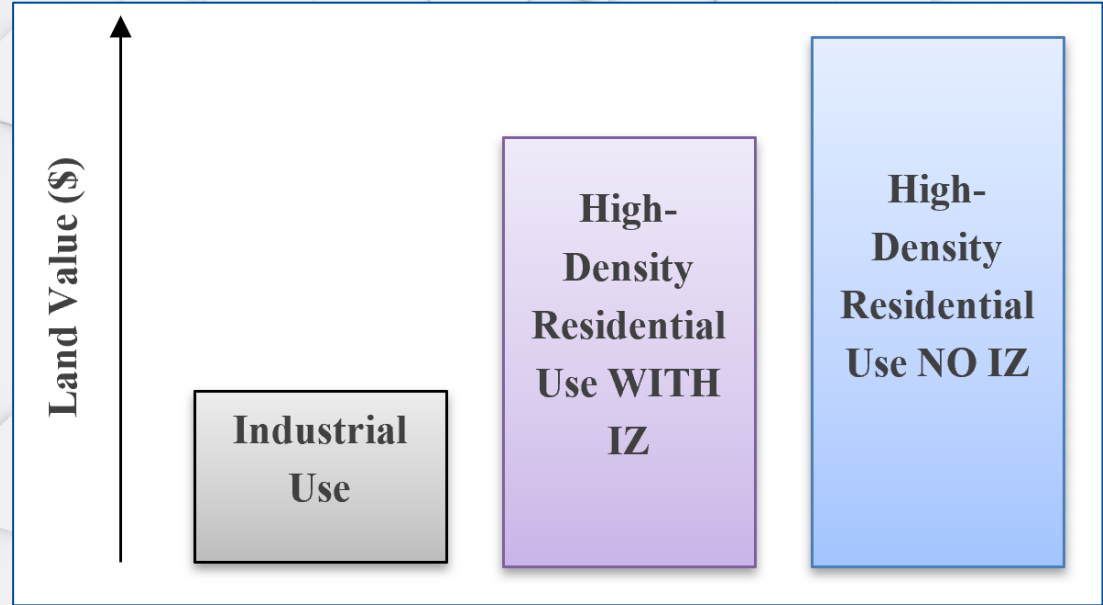
- Identify underutilized properties for development-referred to as “soft sites”
- Estimate the “as is where is” value of the site - The Minimum Purchase Price
- Estimate the Residual Land Value of a prototypical development – No IZ
- Estimate the Residual Land Value of a prototypical development – with IZ
- Can the developer purchase land and build the project?

What about developers who already own land?



Offsets?

- Financial incentives
- Land use change
- Density increase / bonus density
- Transit infrastructure
- Other public sector investments (e.g. employment growth, floodplain mitigation)



Key Findings from the Report

- Clear and transparent requirements
- Markets need time to adjust
- One size fits all approach to IZ is not best approach
- Rental shows low viability of supporting IZ
- Strong condominium markets display evidence of viability
 - Primarily along the Hurontario Corridor, Mount Pleasant and Downtown Brampton
- Modest condominium markets may not show viability as tested
 - The other MTSA's evaluated fall into this category
 - Strong rationale for thinking about IZ in these emerging market areas
 - Alternative approaches to IZ may be necessary

Draft IZ Policy Directions

Policy Drivers	Draft Policy Directions
Identify the minimum size of development where IZ would apply. (O. Reg. 232/18)	When determining the minimum size, consider the unique characteristics and objectives of the major transit station areas and the feasibility analysis evaluating the viability of IZ.
Determining the number of affordable units or % of GFA to be provided as affordable through IZ. (O. Reg. 232/18)	<p>Phase in IZ, however establish a target percentage of GFA or equivalent % of units for affordable housing to endeavor to achieve.</p> <p>Implement IZ in a manner that recognizes that the market conditions of some major transit station areas are stronger and able to accommodate IZ better than others.</p>

Draft IZ Policy Directions

Policy Drivers	Draft Policy Directions
Identify household incomes for which affordable housing would be provided. (O. Reg. 232/18)	Establish rental rates or sale prices that are consistent with measuring and monitoring undertaken at a Region of Peel scale.
Identify the period of time for which affordable housing should be maintained as affordable. (O. Reg. 232/18)	Establish that units provided through IZ be maintained for long term affordability.
Set out the approach to determine the percentage of the net proceeds to be distributed to the municipality from the sale of an affordable housing unit. (O. Reg. 232/18)	As one partner in administering implementation of affordable housing units, it is important that a framework be established for determining net proceeds and allocation of proceeds to municipalities for affordable units obtained through IZ.
Set circumstances in and conditions under which offsite units would be permitted. (O. Reg. 232/18)	In order to encourage the earliest development of affordable housing units and complete and inclusive communities, on site units should be prioritized.

Draft IZ Policy Directions

Policy Drivers	Draft Policy Directions
Consider incentives for desired sizes and tenure of affordable units as outlined in the Region's Housing and Homelessness Plan and local housing strategies.	A need has been identified through the Peel Housing and Homelessness Plan for affordable units with 2+ bedrooms and more purpose-built rental units, and therefore implementation of IZ should be undertaken in a manner that encourages these forms and tenures of housing.
Support local municipalities in establishing and implementing IZ.	Collaborate with local municipalities to monitor and report on affordable housing acquired through IZ and updating Market Assessments in accordance with Provincial requirements.

Next Steps

Commence the Inclusionary Zoning Peer Review

- Staff have received endorsement from local Council's to retain urbanMetrics to undertake the peer review

Consultations with the Development Industry and Public

- Regional staff with the support of NBLC, held a working group meeting with BILD in mid-April to share the results of the draft Assessment Report
- Consultations will be undertaken over the summer and into the fall of 2021 as part of the Region's Official Plan Review

Administering Implementation of Affordable Housing Units

- Initial discussions are underway internally as well as with our local municipal partners to explore potential roles in administration of long-term affordability in ownership or rental units

Thank You