From: Megan Piercey

To: ZZG-Regional Clerk; cityclerkoffice@brampton.ca; laura.hall@caledon.ca; info@caledon.ca

Cc: Catherine Parsons

Subject: Planning and Development Committee Report - Inclusionary Zoning Update and Next Steps

**Date:** February 4, 2022 9:47:44 AM

Attachments: <u>image001.png</u>

City of Mississauga PDC Report - Inclusionary Zoning Update and Next Steps.pdf

#### **RECEIVED**

February 4, 2022
REGION OF PEEL
OFFICE OF THE REGIONAL CLERK

#### Good Morning,

Attached please find a copy of the Planning and Development Committee (PDC) Report entitled "Inclusionary Zoning Update and Next Steps" which was approved at PDC on January 24, 2022 and subsequently adopted by Council on February 2, 2022. Direction was provided in the recommendation for the report to be forwarded to the Councils of the Region of Peel, City of Brampton and Town of Caledon for information.

Please feel free to contact me should you have any questions.

Thanks,



#### **Megan Piercey**

Pronouns: she/her Legislative Coordinator, Legislative Services T 905-615-3200 ext. 4915 megan.piercey@mississauga.ca

<u>City of Mississauga</u> | Corporate Services Department, Legislative Services Division

Please consider the environment before printing.

REFERRAL TO
RECOMMENDED
DIRECTION REQUIRED
RECEIPT RECOMMENDED ✓

## City of Mississauga

# **Corporate Report**



Date: December 23, 2021

To: Chair and Members of Planning and Development
Committee

From: Andrew Whittemore, M.U.R.P., Commissioner of
Planning & Building

Originator's files:
CD.06-INC

Meeting date:
January 24, 2022

# **Subject**

**Inclusionary Zoning Update and Next Steps** 

#### Recommendation

- That the report dated December 23, 2021, from the Commissioner of Planning and Building, entitled "Inclusionary Zoning Update and Next Steps" be received for information and that the preliminary policy directions outlined in the report be endorsed as the basis for community engagement.
- That staff be directed to return to Planning and Development Committee (PDC) for a statutory public meeting following community engagement to consider the draft Inclusionary Zoning (IZ) Official Plan Amendment (OPA) and IZ By-law.
- 3. That a copy of the report dated December 23, 2021, from the Commissioner of Planning and Building, entitled "Inclusionary Zoning Update and Next Steps" be forwarded to the Councils of the Region of Peel, City of Brampton, and Town of Caledon for information.

# **Executive Summary**

- The Region of Peel, Cities of Mississauga and Brampton, and Town of Caledon have completed the background analyses required by Ontario planning legislation prior to implementation of IZ.
- To date, staff engaged members of the development community, equity deserving groups, and other organizations to share information about IZ.
- IZ policies should strike a balance between generating new affordable housing supply without causing overly disruptive impacts on the market.
- Staff have developed policy directions that would form the basis of formal community engagement planned for late Q1 2022, which will inform preparation of draft IZ Official Plan (OP) policies and IZ By-law.

- 2
- Staff are seeking authorization to return to PDC in Q2 2022 to hold a statutory public
  meeting on the draft IZ OP policies and IZ By-law. Final adoption is targeted for early Q3
  2022, which may require "approval in principle" if Protected Major Transit Station Areas
  (PMTSAs) are not yet delineated in Mississauga Official Plan (MOP). The IZ By-law is
  proposed to take effect in Q4 2022.
- Staff will also be working to establish a shared administration process with the Region and other local municipalities.

# **Background**

Since adoption of *Making Room for the Middle – A Housing Strategy for Mississauga* in 2017, the City has been working towards implementing various strategies and tools to improve housing affordability for Mississauga's middle-income households. *Making Room for the Middle* identified IZ as a key action item to increase the supply of new affordable housing.

As of November 2021, the year-to-date average home price in Mississauga was \$1,011,000 (TRREB Market Watch, 2021). Meanwhile, Mississauga's middle-income households can afford a home purchase price of \$432,000 or less (Peel Region, 2021). Mississauga's purposebuilt rental unit vacancy rate is 2.4% (Canada Mortgage and Housing Corporation (CMHC)), and has consistently remained below a healthy rate of 3% in recent years, indicating low supply. Mississauga's middle-income renter households can generally afford the current Average Market Rent (AMR) of \$1,500 / month (reported in January 2021 by CMHC). However, prevailing asking rents for vacant units are more than likely at least a few hundred dollars more per month. Without intervention to influence the right type of housing supply, a significant segment of residents will continue to struggle to find housing that is suitable and affordable.

IZ is a *Planning Act*, *R.S.O.1990* ("*Planning Act*") tool that authorizes municipalities to require developers to deliver affordable housing units in new developments located in PMTSAs or other areas as directed by the Province. Versions of IZ are widely used in other North American jurisdictions such as Montreal, Vancouver, New York City, San Francisco, Boston, Chicago, Los Angeles, Portland, and others. The Province first authorized municipalities to implement IZ in Ontario through the *Promoting Affordable Housing Act*, 2016 (Bill 7). Amendments to legislation were later adopted in 2018 through the introduction of Ontario Regulation (O.Reg.) 232/18 and 2019 the *More Homes, More Choice Act, 2019* (Bill 108).

The first jurisdiction to adopt IZ in Ontario was Toronto on November 12, 2021, with IZ requirements to take effect September 18, 2022. Appendix 1 provides a summary of Toronto's policy framework. Other Ontario jurisdictions including the Region of Waterloo and Region of York are currently investigating IZ.

In the absence of a formal IZ policy, the City has successfully secured affordable middle-income housing in new developments mostly through Sec.37 – Density Bonusing of the *Planning Act* 

and large site Official Plan policies. However, recent changes to the Planning Act will see Sec. 37 Density Bonusing expire on the earlier of the date Council adopts a Community Benefits Charge By-law or September 18, 2022. Therefore, the timely implementation of IZ will ensure the City continues to have a key tool to secure affordable housing in new development.

#### **Present Status**

The Region of Peel, Cities of Mississauga and Brampton, and Town of Caledon have worked collaboratively to complete the background work required by legislation to implement IZ. Table 1 summarizes the analysis undertaken for each requirement including: Housing Needs Assessment; Market Feasibility Analysis; and Peer Review.

The Region has prepared draft Regional Official Plan policies to guide local implementation of IZ. Additionally, City staff have engaged the Region in discussions regarding the roles and responsibilities of administering IZ at each government level. Staff will continue these discussions and report back to PDC with Implementation Guidelines to address these aspects.

Table 1: Background Analysis Requirements and Status of Tasks in Peel / Mississauga

Task	Description	Status
Housing Needs Assessment	<ul> <li>O. Reg. 232/18 requires an analysis of:</li> <li>Demographics and household incomes</li> <li>Housing supply by housing type currently / planned for in official plan</li> <li>Housing types and sizes of units that may be needed to meet anticipated demand</li> <li>Average price and rent for each housing type</li> </ul>	Completed April, 2021 <sup>1</sup> Peel Region completed update to 2018 Region of Peel Housing Strategy, which addresses requirements.
Market Feasibility Analysis	O. Reg. 232/18 requires an analysis of potential impacts on housing market and on financial viability of development in the municipality from IZ, taking into account land value, construction costs, market price and rent, and housing demand and supply.	Completed by N. Barry Lyon Consultants (NBLC) December, 2021 <sup>2</sup>
Peer Review	O. Reg. 232/18 requires a written opinion on the market feasibility analysis from a person independent of the municipality and who, in the opinion of the council of the municipality, is qualified to review the analysis.	City Council qualified urbanMetrics (Res. 0015-2021).  Completed by urbanMetrics December, 2021 <sup>3</sup>

<sup>1</sup> https://pub-peelregion.escribemeetings.com/filestream.ashx?DocumentId=12969

<sup>&</sup>lt;sup>2</sup> https://www.peelregion.ca/officialplan/review/pdf/NBLC-IZ-Feasibility-Analysis-Dec-2021.pdf

<sup>&</sup>lt;sup>3</sup> https://www.peelregion.ca/officialplan/review/pdf/urbanMetrics-IZ-Assessment-Peer-Review-Dec-14-2021.pdf

#### Comments

The following planning instruments are required to implement IZ, including:

- an amendment to MOP passed under S.16(4) of the Planning Act, to introduce IZ policies; and
- a by-law passed under S.34 and S.35.2 of the Planning Act to give effect to the IZ policies.

The purpose of this report is to outline preliminary MOP policy directions, seek authorization to hold community / stakeholder meetings to obtain feedback on the preliminary directions, and return to PDC to hold a statutory public meeting to consider the draft OP policies and IZ By-law.

#### **Draft IZ Policy Principles and Objectives:**

As the City works towards implementation of IZ, the following key policy principles and objectives are proposed:

- The purpose of IZ is to create mixed-income communities that increase housing options and supply for residents of various socio-economic backgrounds.
- IZ is one tool in the housing toolkit and is not the only solution to addressing housing affordability. The City is implementing other initiatives such as large site polices (e.g. Reimagining the Mall), financial offsets (incentives) for affordable housing, Housing First (prioritizing surplus City land for affordable housing), rental housing protection, and other tools that all work in parallel with efforts from the Region, Province, and Federal governments to protect and grow the affordable supply.
- An IZ policy framework should generate new affordable supply while minimizing negative consequences to the market priced housing supply. A policy framework that acknowledges the nuances of sub-markets and gives landowners and developers certainty and time to adjust is likely to be more effective at leveraging new development for the delivery of affordable housing.
- IZ should leverage the unique expertise of local and regional governments, nonprofit organizations, landowners and private sector developers. IZ will be more effective if all stakeholders collaborate to achieve housing objectives.

#### 2. Draft Preliminary MOP Policy Framework

Staff are proposing the draft IZ policy framework as outlined in Table 2. This preliminary framework addresses the following key components of IZ and the rationale for each:

- Minimum project size the number of units and / or Gross Floor Area (GFA)) that will trigger an IZ contribution requirement. The Planning Act does not permit IZ in projects with less than 10 units, however, municipalities may develop higher minimums.
- <u>Project tenure</u> type of project (ownership or rental) that is subject to IZ.
- Affordability depth affordable price / rent that an owner of an IZ unit is required to maintain.
- Set-aside rate amount of GFA or equivalent number of units in a development that are required to be affordable; expressed as a percentage of GFA or units.
- Affordability term length of time an IZ unit is required to remain affordable.
- Exemptions projects that will not be subject to IZ policies / regulations.
- Transition period time between Council adoption of IZ policies / regulations and date the policies / regulations will come into effect.
- Phasing the gradual introduction of / increase in requirements over time.
- Other policy considerations.

Table 2: IZ Preliminary Policy Directions for Mississauga

Policy Area	Proposed Policy Direction	Rationale / Notes
Minimum Project Size	First 50 ownership units or equivalent GFA would not be subject to IZ	Reduces impact on mid-rise developments
Project Tenure	IZ will be applicable to ownership (largely condominium) projects only. Requirements may expanded to purpose-built rental projects once rental market is more established.	The market feasibility analysis indicated that rental projects are currently not viable under an IZ policy framework, unless the set-aside rate is very low and offsets are provided.
		Note: affordable rental units can be secured as an IZ contribution through condominium / ownership projects.

2021/12/23

Policy Area	Proposed Policy Direction	Rationale / Notes
Affordability	Affordable Ownership:	Targets middle income
Depth	1-Bedroom Unit: targets 4 <sup>th</sup> income decile	ownership and renter
Бериі	(approx. \$292,000 purchase price)	households, in keeping with
	2-Bedroom Unit: targets 5 <sup>th</sup> income decile	Housing Strategy.
	(approx. \$359,000 purchase price)	Tiousing Strategy.
	3-Bedroom Unit: targets 6 <sup>th</sup> income decile	Note – Values provided are
	(approx. \$432,000 purchase price)	approximate for 2021 and will
	(approx. \$432,000 purchase price)	be updated annually.
	Affordable rental secured in	be updated armdally.
	condominium developments:	
	100% Canada Mortgage and Housing	
	Corporation (CMHC) Average Market Rent	
	(AMR) by bedroom type, as follows:	
	4 Dadua en Hait tanasta 5th nantanina ana	
	1-Bedroom Unit: targets 5 <sup>th</sup> renter income	
	decile (approx. monthly rent \$1,380)	
	2-Bedroom Unit: targets 6 <sup>th</sup> renter income	
	decile (approx. monthly rent \$1,560)	
	3-Bedroom Unit: targets 7 <sup>th</sup> renter income	
0.4	decile (approx. monthly rent \$1,670)	
Set-aside Rate	Currently expressed as a % of total	Proposed rates are supported
	GFA. May also be expressed as an	by results of market feasibility
	equivalent % of units.	analysis.
	Hurantaria I DT (Part Cradit to Briatal	
	Hurontario LRT (Port Credit to Bristol	
	PMTSAs): phase up to 10%	
	Dundas Street PMTSAs where residential	
	uses are permitted: Phase up to 7%	
	Clarkson CO DMTSA: phase up to 10% if	
	Clarkson GO PMTSA: phase up to 10% if employment conversions occur; phase up	
	to 5% where lands are already designated for residential	
	ioi resideritiai	
	Lakeshore Road East (Dixie, Lakefront	
	Promenade, Haig PMTSAs) and Ninth Line	
	(Derry, Britannia PMTSAs): phase up to	
	5%	
İ.	J /0	

2021/12/23

Policy Area	Proposed Policy Direction	Rationale / Notes
Affordability Term	25 years or longer	Jurisdictional scan suggests longer affordability terms (35+ years) are sometimes used. Staff are closely considering affordability term and its relationship to administration of IZ units over time.
Exemptions	<ol> <li>Projects where non-profit housing provider has an interest that is &gt; 51% and &gt; 51% of units are affordable.</li> <li>Projects with rezoning and / or OPA application(s) along with a subdivision or condominium application at the time the IZ OP policies are adopted.</li> <li>Projects with a building permit or site plan application at the time the IZ By-law is passed.</li> </ol>	As per O.Reg. 232/18.
Transition and Phasing	Staff are planning to bring final recommended IZ OP policies and IZ By-law to PDC in July 2022, with IZ By-law to take effect Fall-Winter 2022.	<ul> <li>A transition period is recommended to allow industry to adjust to new IZ policy framework. The market feasibility analysis was made public in April 2021, giving landowners time to prepare for IZ.</li> <li>The timely implementation of IZ is important as the City will soon lose ability to secure affordable housing through Sec. 37 Density Bonusing.</li> </ul>
	Set-aside rates are proposed to be phased in over time.	The phase-in period will be a key item of discussion during the consultation process.

Policy Area	Proposed Policy Direction	Rationale / Notes
Other Policy Considerations	Staff are investigating the following policy options:	
	Suite-mix of affordable units should reflect suite-mix of market component of development.	To ensure a range of unit sizes.
	Reduced set-aside requirements for projects delivering deeper affordability and / or rental units.	These policy options     provide flexibility to how IZ     requirements are met and     could encourage rental
	Permission to deliver IZ units offsite, provided certain criteria are met.	units or low income units.  Note: cash-in-lieu of IZ units is prohibited under the Planning Act.
	Reduced set-aside requirements for mixed-use buildings/developments with large office components.	To encourage mixed-use buildings in PMTSAs.

#### **Administrative Framework**

There are four key elements of administering an IZ program:

- 1. Secure IZ commitments from developers through a legal agreement prior to Building Permit issuance.
- 2. Establish a process for matching occupants to units.
- 3. Establish a mechanism to ensure affordability of the unit over time.
- 4. Monitor and report on the status of the IZ program at least every two years, and update the market feasibility analysis every five years.

Staff have been exploring administrative options with Regional staff and other local municipal housing staff, and recommend the City of Mississauga pursue a shared administrative structure that leverages the expertise of each level of government and creates a centralized process for administration of IZ. Staff will continue these discussions and report back to PDC with Implementation Guidelines to address these aspects.

#### **Next Steps**

The next step is to obtain feedback on the proposed policy directions contained in this report to help inform the preparation of the draft OP Policies and IZ By-law, prior to holding a statutory public meeting. Staff are proposing the following future schedule:

- Combined PMTSA / IZ Community Meeting (February 2022)
- Roundtable Discussion with development industry and landowners (March 2022)

- )
- Roundtable Discussion with non-profit organizations, advocacy groups, community groups, and other interested parties (March 2022)
- Information Report and Statutory Public Meeting (May 2022)
- Recommendation Report (July 2022)

Regional staff are bringing recommended Regional Official Plan policies – including IZ policies and proposed PMTSA delineations – to Regional Planning and Growth Management Committee in Q1, 2022. Following this meeting, Provincial approval of the Regional Official Plan Amendment (ROPA) is required. Implementation of PMTSA delineations in MOP will occur after Provincial approval of the ROPA.

Staff anticipate that, similar to Toronto's approach, if local delineation of PMTSAs is not completed by the time the recommended IZ OPA and By-law are brought to PDC for approval, the IZ OPA and By-law can be "approved in principle," and take effect once PMTSA delineations occur. Only the Minister of Municipal Affairs and Housing is authorized to appeal the IZ OPA and By-law.

# **Strategic Plan**

The need to address housing affordability originated from the Strategic Plan "Belong" Pillar. Two strategic goals relate to housing affordability: "Ensuring Affordability and Accessibility" and "Support Aging in Place." Action 1: "Attract and keep people in Mississauga through an affordable housing strategy" is linked to the City's Housing Strategy and implementation of IZ.

## **Engagement and Consultation**

Through written submissions to Peel Regional Council and Mississauga City Council, the Building Industry and Land Development Association (BILD) expressed an interest in actively participating in the development of the IZ policy framework in Peel Region. Regional Housing staff hosted two virtual working group sessions with BILD on April 25<sup>th</sup>, 2021 and August 26<sup>th</sup>, 2021. NBLC consultants and local municipal staff participated in the sessions. The purpose of the meetings was to share information with BILD about the market analysis and Regional policy directions. BILD members expressed concern with consequences to the housing market should an IZ framework be introduced without offsets (e.g. density bonusing and financial incentives).

From October 15, 2021 to December 16, 2021, City staff conducted informal, virtual meetings with fourteen community organizations to share information about the City's current housing initiatives, and understand how these initiatives can have a meaningful impact on residents. Participants raised concerns about affordability, living conditions in rental buildings, accessibility, aging in place, importance of community, and lack of housing options, among other issues.

The City's "Have Your Say" IZ Study project webpage was launched on October 8, 2021, and continues to offer information and engagement opportunities for members of the community.

10

As noted above, stakeholder engagement is planned for February/March 2022, to help inform the draft IZ OP policies and IZ By-law.

## **Financial Impact**

There is no financial impact at this time. Implementation of an IZ policy in the future will likely have financial impacts for the City and / or Region. Staff will report back at a later time with financial impacts of IZ administration.

#### Conclusion

This report seeks to advance the City's work on implementation of IZ by asking PDC to support the proposed policy directions as the basis for community engagement and next steps in the IZ Study. Housing costs are continuing to rise and outpace household incomes for Mississauga residents. IZ is one tool in a toolbox of solutions the City can employ in partnership with the Region and other local governments to increase the affordable housing supply, promote socioeconomic inclusion, support our workforce, and create complete communities.

#### **Attachments**

Appendix 1: Summary of City of Toronto Inclusionary Zoning (IZ) Policy Adopted by Toronto City Council on November 12, 2021

A. Whitemore

Andrew Whittemore, M.U.R.P., Commissioner of Planning & Building

Prepared by: Catherine Parsons, MCIP, RPP, Planner, City Planning Strategies Division

# Appendix 1: Summary of City of Toronto Inclusionary Zoning (IZ) Policy Adopted by Toronto City Council on November 12, 2021

This Appendix provides a summary of the policy framework adopted by the City of Toronto on November 12, 2021. Toronto is the first municipality in Ontario to adopt an IZ policy framework. IZ requirements will take effect September 18, 2022.

**Table 1: City of Toronto Policy Framework** 

Policy Area	Requirements / Details						
Policy Goals and	Increase affordable housing supply for low and moderate income						
Objectives	households; and,						
	Support diverse range of housing options, inclusive communities.						
Location, Set-aside	See Figure 1 and Table 2 below.						
Rate, Phase-in							
Minimum Project	Projects with a minimum 100 residential units or 8,000 square						
Size	meters of residential gross floor area (GFA) will be subject to IZ.						
Project Tenure	Condominium buildings only at the outset of the policy.						
	Requirements for rental buildings within IZ Market Area 1 (5%)						
ACC LIVE T	and IZ Market Area 2 (3%) will be phased in starting in 2026.						
Affordability Term	• 99 years.						
Unit Types and	The unit mix of the affordable housing units created through IZ will      the unit mix of the affordable housing units created through IZ will						
Sizes	reflect the unit mix of the market component of the development.						
Providing units on	Possible to do so at City's discretion if result would provide an						
Another Site	improved housing outcome (e.g. additional affordable units, larger						
	family-sized units, more deeply affordable units).						
	Offsite units must be ready for occupancy commensurate with     application of the engite market development.						
	<ul> <li>completion of the onsite market development.</li> <li>Process would require a site-specific zoning by-law amendment</li> </ul>						
	<ul> <li>Process would require a site-specific zoning by-law amendment to meet affordable housing requirements offsite.</li> </ul>						
Incentives	Only considered where a development proposes to exceed IZ						
mocnitives	policy requirements i.e. additional affordable units or deeper						
	affordability.						
Exemptions	Non-profit housing providers (with 100% ownership interest or 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 / nursing / residential care homes.						
Affordable	Purchase price (inclusive of HST) is at or below an amount where						
Ownership	the total monthly shelter cost is not more than 30% of before-tax						
Definition	monthly income, for middle-income households.						
	Shelter cost means						
	<ul> <li>A mortgage principal and interest based on a 25-year</li> </ul>						
	amortization, 10% down payment, conventional 5-year						
	mortgage as report by Bank of Canada in January of						
	applicable year, and mortgage insurance premium;						
	<ul> <li>Property taxes calculated on a monthly basis based on the</li> </ul>						
	purchase price; and,						
	<ul> <li>Standard condominium fees.</li> </ul>						

Policy Area	Requirements / Details							
Affordable Rental Definition	<ul> <li>Shelter cost cannot exceed 30% of before-tax monthly income for City of Toronto middle-income renter households.</li> <li>Shelter cost includes rent, heat, hydro, hot water and water.</li> </ul>							
Net Proceeds from the Sale of an Affordable Ownership Housing Unit	<ul> <li>During the 99 year affordability period: The City would receive no more than 20% of the net proceeds of the sale (resale price minus purchase price paid by owner) equivalent to no more than 2% of the sale price, for administration fees.</li> <li>First sale after the 99 year term: The City would receive 50% of the net proceeds (market resale price minus affordable purchase price and any legal, administration or real estate fees paid by the owner); The City's proceeds would then be reinvested in affordable housing.</li> </ul>							
Transition	<ul> <li>IZ requirements take effect on the later of September 18, 2022 or approval of a PMTSA by the Minister. Projects would be exempt where:</li> <li>A complete application for a zoning by-law amendment was filed and came into force prior to the passing of a CBC by-law and a Section 37 agreement securing community benefits was executed on or before the later of September 18, 2022 OR notice of approval of a "Protected Major Transit Station Area by the Minister; or,</li> <li>A complete application for a zoning by-law amendment, site plan approval, minor variance, or building permit is made on or before September 18, 2022.</li> </ul>							

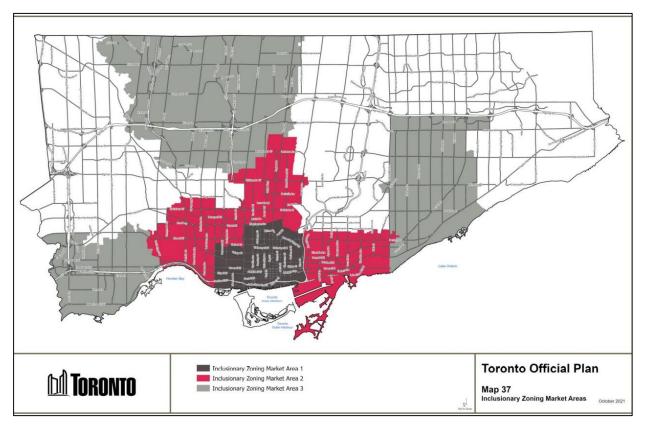


Figure 1: City of Toronto - Geographic Areas Subject to IZ ("IZ Market Areas")

<u>Table 2: City of Toronto IZ Set-Aside Rates and Phase-in to 2030, Condominium Buildings Only\*</u>

		2022	2023	2024	2025	2026	2027	2028	2029	2030
Condominium building securing affordable rental:										
	IZ Market Area 1	7%	7%	7%	8.5%	10%	11.5%	13%	14.5%	16%
	IZ Market Area 2	6%	6%	6%	7%	8%	9%	10%	11%	12%
	IZ Market Area 3	5%	5%	5%	5.5%	6%	6.5%	7%	7.5%	8%
Condo	minium buildi	ng secur	ing affor	dable ov	vnership					
	IZ Market Area 1	10%	10%	10%	12%	14%	16%	18%	20%	22%
	IZ Market Area 2	8%	8%	8%	10%	11%	13%	14%	15%	17%
	IZ Market Area 3	7%	7%	7%	8%	8%	9%	10%	11%	11%

<sup>\*</sup>Set-aside Rates for rental buildings will commence in 2026 for IZ Market Areas 1 and 2 only.