



## Human Services

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November 24, 2022

Sent via email: [PlanningConsultation@ontario.ca](mailto:PlanningConsultation@ontario.ca)

To whom it may concern,

**Re: ERO 019-6173 - Proposed Amendment to O. Reg 232/18:  
Inclusionary Zoning**

Thank you for the opportunity to comment on the Province's proposed amendment to the Inclusionary Zoning (IZ) regulation (O. Reg 232/18) and propose alternative approaches that would achieve the Province's housing goals while delivering on the intent of an IZ program. Please note that the following comments and recommendations are provided by Region of Peel staff and may be considered by Regional Council for endorsement. If additional or differing comments are provided through a Council resolution, they will be forwarded to the Ministry for consideration.

### **General Comments**

The Region of Peel appreciates the Province's efforts to increase housing supply and improve affordability. These are important issues that require integrated and innovative solutions. Across Peel, the housing affordability crisis is severe. While the Region provides 28,000 people with housing supports, there are an estimated 91,000 low- and moderate-income households living with core housing need. Of note, it would take the average family around 30 years to save a large enough down payment for affordable monthly mortgage costs for the average resale home in Peel. A minimum-wage household also faces the prospect of spending at least half of their income for average monthly rental rates in Peel, whereas no more than one-third of a household income is considered affordable.

A market feasibility study undertaken by N. Barry Lyons Consulting determined that high set-aside rates, very long affordability durations, and prices affordable to low- and moderate-income households are achievable in Peel, even without proposed exemptions from development charges (DCs). As a result, local municipalities and the Region have collaborated to maximize the opportunity of inclusionary zoning, including developing an administrative system that leverages local expertise in development approvals and Regional expertise in housing operations, to ensure equitable access to these new homes.

The Province is proposing to standardize the implementation of IZ across Ontario, including providing exemptions from DCs. As Service Manager for affordable housing, the Region has significant concerns with these proposed changes as they undermine the effectiveness of IZ.

### Recommendations



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### Prescribing Affordability Using an Income-based Approach

The Province’s proposed change to the affordability definition would result in ownership condominium units in Peel only being affordable to high-income households. This is not in keeping with the intent of an IZ program, which is to improve affordability for moderate income households.

To provide standardization across the province, it is recommended that the Province update the definition of *affordability* in the Provincial Policy Statement to be consistent with the 80% average price ceiling identified in Bill 23. Changes are proposed below in highlight and strikethrough as appropriate:

*Affordable means:*

*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~~ 20 per cent 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 per cent of gross annual household income for low and moderate income households; or*

*2. a unit for which the rent is at or below 80 per cent of the average market rent of a unit in the regional market area.*

The Province should also work with Service Managers for affordable housing systems to establish a standardized methodology for calculating income-based affordability.

### Permitting Affordability Duration Greater than 25 Years

The Province’s proposed maximum of 25 years across all tenure types is not in line with local market studies that support longer affordability terms and prevailing practices of longstanding IZ programs in similar jurisdictions.

In particular, development feasibility is not impacted by the affordability term for ownership units. Market analysis conducted by noted land economists N. Barry Lyon Consultants demonstrated that a longer affordability term is feasible for ownership condominium units in Peel. A longer affordability term also addresses concerns from stakeholders, including from the development



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industry, that a household acquiring an affordable unit could sell the unit shortly afterwards and potentially capture a significant uplift in equity that was contributed to by public funds and private investment. As such, affordability duration should not be limited for ownership units.

As it relates to the affordability duration for affordable rental units secured through IZ, the cap of 25 years should also be reconsidered. The City of Mississauga has proposed a 25-year plus 5-year phase-out approach, the Region’s rental incentives program has resulted in below average market price rental units secured for up to 41 years, and Canada Mortgage Housing Corporation provides new construction multi-unit mortgage loan insurance product for durations up to 50 years. While concerns may exist about managing a rental building’s condition over 99 years, operational experience and available tools suggest a range of between 25 years to 50 years of affordability is viable.

### **Allowing Set-aside Rates Greater than 5 Per Cent**

Market analysis of several major transit station areas in Peel by N. Barry Lyon Consultants demonstrated that there are several strong market areas that could support set-aside rates exceeding 5 per cent without discouraging development. This assessment excluded the proposed development charge and other financial exemptions proposed through Bill 23. Should the assessment be re-calculated with the updated assumptions, it is likely that more major transit station areas would demonstrate feasibility for set-aside rates greater than 5 per cent.

By capping set-aside rates at 5 per cent as currently proposed, the program will not yield the maximum possible affordable housing to address local needs. In particular, discussions with City of Mississauga staff suggest that a 5 per cent maximum will result in about 40 per cent fewer affordable units than was anticipated with current IZ provisions. Given the scale of the housing affordability crisis in Peel, impacting both low- and moderate-income households, every opportunity to maximize affordable housing supply should be taken.

The Province should instead establish 5 per cent as the default maximum set-aside rate where a municipality has not undertaken a transparent, localized, market analysis that has been subjected to a satisfactory peer review. In all other instances, a municipality should be permitted to establish set-aside rates consistent with the findings of the market analysis.

### **Conclusion**

While more housing options such as IZ and supply can contribute to improving housing affordability outcomes in complete communities, it is also important to put in place a framework to ensure that new and existing housing supply is used for homes (e.g., address vacant units and speculation) to



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maximize affordability. Efforts must also be made to ensure that new supply is truly affordable to low- and moderate-income families.

We trust that the Region's comments will be of assistance in informing the regulations associated with IZ.

We look forward to working with the Province and local municipalities in Peel to modify the proposed amendment to the Inclusionary Zoning Regulation (O. Reg 232/18) in order to maximize the number of affordable units that can be built in Peel. I would be pleased to provide any clarifications or additional comments on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Aileen Baird'.

Aileen Baird  
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