

Inclusionary Zoning Official Plan Amendment, Zoning By-law Amendment and Draft Implementation Guidelines

Date: October 15, 2021

To: Planning and Housing Committee

From: Chief Planner and Executive Director, City Planning

Wards: All

SUMMARY

This report recommends the adoption of Inclusionary Zoning (IZ) Official Plan policies, Zoning By-law provisions and tables draft Implementation Guidelines for consultation. The recommended Inclusionary Zoning policy and zoning framework will enable the City to initially require 5-10% affordable housing and a fully phased-in requirement by 2030 of 8-22% of affordable housing units to be provided in new developments alongside the development of market housing. The introduction of mandatory affordable housing requirements will positively contribute to transforming the delivery of housing in the City by ensuring that affordable housing keeps better pace with the delivery of market housing, contributing to social and economic cohesion in the years to come.

Inclusionary Zoning is a widely used planning tool used in hundreds of jurisdictions in the United States, Australia and parts of Canada. Inclusionary Zoning works best in cities where there is strong demand for housing and below market rents and prices can be accommodated through absorption in land values, or in areas where revenues are continually increasing. In support of the preparation of Inclusionary Zoning policies, the City undertook a series of financial assessments in 2019, 2020 and 2021 resulting in a robust financial analysis demonstrating where Inclusionary Zoning can be implemented in the city without negatively impacting overall development activity. Peer review of this work has also been undertaken through a third-party consultant retained by the City and through ongoing consultation on the analysis with development industry analysts. An in-depth analysis of demographic and market data has also been completed to understand housing need and demand across the City and by local neighbourhood. This work, coupled with extensive public and stakeholder consultation throughout 2019, 2020 and 2021, has informed the development of an Inclusionary Zoning policy framework that is balanced, forward-looking and equitable.

Since the provincial Inclusionary Zoning regulation was first enacted in 2018, the province undertook legislative changes to limit the potential areas that Inclusionary Zoning may be applied. The Province narrowed the implementation of Inclusionary

Zoning to those areas within a Protected Major Transit Station Area (PMTSA) or areas where a Development Permit System has been ordered by the Minister. In addition, the Province introduced new community benefits and parkland rate requirements. These changes have been factored into the financial analysis and final recommended policies.

The recommended Official Plan Amendment and Zoning By-law includes a number of directions that reflect the City's specific context and build upon the provincial regulation and legislative framework including:

1. Establishing a minimum development size of 100 units to reflect both minimum required densities that would be required on many sites within PMTSAs, while also recognizing the importance of supporting a diverse range of housing types and sizes that could become financially challenged if Inclusionary Zoning were required on smaller developments;
2. Establishing three distinct market areas to recognize varying market viability in different areas of the City, to be included in the Official Plan as Map 37, each area with its own requirements for condominium projects delivering affordable ownership, condominium projects delivering affordable rental housing or purpose-built rental buildings delivering affordable rental housing;
3. Requiring affordable units to remain affordable for 99 years, ensuring that this stock of housing is not lost over the short term;
4. Setting rents and prices that will reflect the needs of low and moderate income households, providing affordable housing for households for whom market rents and prices are out of reach (e.g., registered nurses, early childhood educators, dental assistants earning between \$32,000 and \$92,000);
5. Phasing-in of affordable housing requirements from 5-10% in 2022 to 8-22% in 2030 in order to provide time for land values to adjust and the amount of affordable housing required to incrementally increase;
6. Providing for a clear transition period to provide time for developments well advanced to move through the development review process prior to Inclusionary Zoning coming into effect; and
7. Ongoing monitoring and assessment of all aspects of the approach starting in 2025, including reviewing the market areas where Inclusionary Zoning applies.

Over the past five years, the City has taken a strong leadership role in the delivery of affordable housing to ensure new housing supply reflects the City's current and future housing needs. Bold affordable housing targets set out in the HousingTO 2020-2030 Action Plan will only be realized through this leadership and partnership with developers and housing providers. Achieving a supply of housing that meets the broad spectrum needs within the city requires multiple policy and program actions. This report highlights many of the recent housing policy, service delivery and program initiatives the City has undertaken in recent years, including the Expanding Housing Options in Neighbourhoods work, policy and zoning changes to maintain and provide for the

supply of multi-tenant dwellings or rooming houses, the Concept to Keys initiative, and the Housing Now and Open Door programs, which taken together are all critical in delivering on Council's housing targets.

Clarity is essential if the policy framework is to be implemented successfully. As a result, this report recommends that Council endorse for consultation the accompanying draft Implementation Guidelines, which build on experience the City has had over the past 15 years securing affordable housing as a community benefit, either on large sites greater than 5 hectares, within the Central Waterfront Secondary Plan, or as part of site specific developments. This existing policy framework is often described as a voluntary Inclusionary Zoning policy as a developer can elect to provide affordable housing within their development as part of a section 37 community benefits contribution. The results of the current voluntary framework have been uneven and highlight the need for a mandatory framework, as depending on the specific context, some developments have secured affordable housing while others have prioritized other community benefits.

The recommended Inclusionary Zoning policy framework was developed in consultation with input from the Housing Secretariat, Shelter, Support and Housing Administration, Corporate Finance, Legal Services, and CreateTO. The background materials and proposed framework meet the provincial requirements for Inclusionary Zoning set out in the Planning Act and Ontario Regulation 232/18.

RECOMMENDATIONS

The Chief Planner and Executive Director, City Planning recommends that:

1. City Council adopt the Official Plan Amendment included as Attachment 1 to this report from the Chief Planner and Executive Director, City Planning.
2. City Council adopt the Zoning By-law Amendment included as Attachment 2 to this report from the Chief Planner and Executive Director, City Planning.
3. City Council authorize the City Solicitor to make such stylistic and technical changes to the Official Plan Amendment and Zoning By-law Amendment referred to above in Recommendations 1 and 2 as may be required.
4. City Council endorse the Inclusionary Zoning Implementation Guidelines included as Attachment 4 to this report from the Chief Planner and Executive Director, City Planning for consultation and report back with final recommended Implementation Guidelines in the first half of 2022, including identifying the terms and conditions for a third party administrator of affordable ownership units.
5. City Council bring forward a zoning by-law amendment to add the Scarborough Centre Protected Major Transit Station Area delineation to the Inclusionary Zoning Overlay map no earlier than September 18, 2023, to provide additional time for the local land market to adjust.

6. City Council deem that a complete Site Plan application submitted under Section 114 of the City of Toronto Act, 2006 shall meet the requirements of Regulation 232/18 under the Planning Act for the purpose of an exemption based on submission of an application for approval of a Site Plan.
7. City Council request that the Minister of Municipal Affairs and Housing amend Section 16(5)(a) of the Planning Act to allow for Official Plan Inclusionary Zoning policies to be applied across the City and not limited to Protected Major Transit Station Areas.
8. City Council forward a copy of this report to the Minister of Municipal Affairs and Housing along with Attachments 1 through 10 to this report.
9. City Council forward a copy of this report to the Municipal Property Assessment Corporation with a request that property assessments for affordable ownership units take into account the requirements for ongoing affordability of these units over a 99 year period.
10. City Council request the City Manager work with the Municipal Property Assessment Corporation to identify potential options to ensure property assessments reflect the City's household eligibility, resale and price appreciation restrictions for Inclusionary Zoning affordable ownership units.

FINANCIAL IMPACT

The City Planning Division confirms that there are no financial implications resulting from the recommendations included in this report in the current budget year.

EQUITY IMPACT STATEMENT

The City of Toronto's quality of life, economic competitiveness, social cohesion and diversity depend on current and future residents being able to access and maintain adequate, affordable and appropriate housing.

The recommended Inclusionary Zoning framework would require that affordable housing be included in new developments around transit stations, helping to create opportunities for low and moderate income individuals and families to access affordable housing across the city. The framework is intended to support the creation of mixed-income, complete and equitable communities.

Current housing initiatives at all levels of government are endeavouring to adopt a human rights-based approach to the development of housing legislation, policy, and programs. In June 2019, the federal government enacted the National Housing Strategy Act which declares that it is the policy of the Government of Canada to recognize that the right to adequate housing is a fundamental human right affirmed in international law; to recognize that housing is essential to the inherent dignity and well-being of the

person and to building sustainable and inclusive communities; and to support improved housing outcomes for the people of Canada. The legislation furthers the progressive realization of this right as recognized in the International Covenant on Economic, Social and Cultural Rights, to which Canada is a party.

At its meeting of December 17, 2019, City Council adopted the HousingTO 2020-2030 Action Plan, which updates the Toronto Housing Charter. Consistent with the federal legislation, the charter expresses that the City adopts a human rights-based approach to housing as defined in the federal legislation. Access to safe, good quality and affordable housing is also a fundamental goal of the City's Housing TO 2020-2030 Action Plan and is an important determinant of physical and mental health and wellbeing.

The City's Official Plan contains policies relating to the provision of a full range of housing and maintaining and replenishing the affordable and mid-range housing stock within the City. Adequate and affordable housing is the cornerstone of inclusive neighbourhoods and supports the environmental and economic health of the City, region and country as a whole, ensuring that essential workers can afford to make their home in the City.

DECISION HISTORY

City Council at its meeting of January 31 and February 1, 2018 provided a response to the Province on a proposed version of the Inclusionary Zoning regulation. Many of City Council's recommendations for increased municipal decision making were incorporated into the final regulation. The report also reiterated the City's key principles for a successful Inclusionary Zoning framework: predictability; clarity and consistency; flexibility; equitable and needs based; and partnership based.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.PG25.8>

At its meeting of May 28, 2019, the Planning and Housing Committee endorsed Official Plan Inclusionary Zoning proposed policy directions and a proposed affordable ownership housing definition as the basis for public consultation and directed staff to report back on the findings from the consultation in the fourth quarter of 2019. The proposed policy directions were informed by initial consultations with key stakeholders and the findings from a draft Assessment Report, comprised of a Housing Need and Demand Analysis and a Financial Impact Analysis.

The proposed policy directions were developed prior to May 2, 2019, following which Bill 108 introduced changes to the Planning Act to limit municipal implementation of Inclusionary Zoning to Protected Major Transit Station Areas or areas where a Development Permit System has been ordered by the Minister. The Planning and Housing Committee adopted motions directing that the public consultations on Inclusionary Zoning include broad options for the application of Inclusionary Zoning, proposed new definitions of affordable rental and ownership housing, and opportunities for independent community groups to host their own consultation events.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH6.2>

At its meeting of November 13, 2019, the Planning and Housing Committee directed City Planning staff to develop draft Inclusionary Zoning Official Plan policies informed by public and stakeholder feedback received throughout consultations undertaken in 2019. The Committee also directed City Planning staff to report on the potential number of units and level of affordability that may have been achieved based on the pre-Bill 108 Inclusionary Zoning policy framework and feedback received through public consultation. These parameters have been reflected in the updated Inclusionary Zoning Assessment Report analysis.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH10.3>

At its meeting of December 17, 2019, City Council adopted the HousingTO 2020-2030 Action Plan. Action 53 of the HousingTO Action Plan is to: 'implement Inclusionary Zoning to ensure new housing opportunities are targeted to low and moderate-income households, and affordability is provided long-term'.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting of September 22, 2020, Planning and Housing Committee endorsed a draft OPA and Zoning By-law Amendment as the basis for consultation and requested staff bring forward a final OPA and By-law by the first half of 2021. Committee also directed staff to conduct further analysis on increasing the set aside rate, looking at options to secure affordable housing at 10-30% of residential gross floor area for condominium developments and 5-20% of residential gross floor area for purpose-built rental developments.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.7>

COMMENTS

Provincial Policy Framework

Planning Act

The Planning Act governs land use planning in Ontario and establishes the means by which a municipality must implement land use planning decisions. In particular, Section 2 (j) of the Planning Act requires that municipalities, when carrying out their responsibility under this Act, have regard for matters of provincial interest including the adequate provision of a full range of housing, including affordable housing.

On April 11, 2018, amendments to the Planning Act and Ontario Regulation 232/18 were enacted to enable municipalities to implement Inclusionary Zoning. Subsection 16(9) of the Planning Act requires that municipalities prepare an assessment report prior to adopting Inclusionary Zoning policies and the Regulation requires that the assessment report be considered as part of the development of Official Plan policies. The regulation also requires that Official Plan policies set out an approach to authorizing Inclusionary Zoning, including addressing key policy matters. Only the Minister of Municipal Affairs and Housing may appeal Inclusionary Zoning Official Plan policies and implementing zoning to the Ontario Land Tribunal.

<https://www.ontario.ca/laws/regulation/180232>

Bill 108 (the More Homes, More Choice Act, 2019) made changes to the Planning Act that limit the City's use of Inclusionary Zoning to PMTSAs or areas where a Development Permit System (DPS) has been ordered by the Minister. As a result of this change, an additional planning framework approved by the Minister must be in place in order to implement Inclusionary Zoning requirements. Bill 108 had the effect of limiting where Inclusionary Zoning can apply and delayed the implementation of Inclusionary Zoning to when each PMTSA is in effect.

Major Transit Station Areas (MTSAs) are defined in the Growth Plan as areas within an approximate 500-800 metre radius of a higher-order transit station (i.e. subway, light rail or GO station) and representing about a 10-minute walk. There are approximately 180 potential MTSAs in the City of Toronto. PMTSAs will become a subset of all 180 MTSAs that the City can delineate before the Municipal Comprehensive Review is concluded. In order to delineate PMTSAs, municipalities must put in place a detailed planning framework that includes the authorized uses of land and minimum densities with respect to buildings and structures within the delineated area, as required by the Planning Act Section 16(15). The PMTSA requirement for minimum densities for buildings and structures requires a level of specificity that is akin to provisions contained within an area zoning by-law. Each PMTSA must be adopted by Council and approved by the Minister. The Minister's approval is not appealable.

The Development Permit System (DPS) combines zoning, site plan and minor variance processes into one application and approval process. In order to establish a DPS area, a municipality must adopt an OPA for the DPS area and pass a DPS by-law. Municipalities can implement Inclusionary Zoning in DPS areas, but only where the Minister requires the municipality to use the DPS in that area. To date, the Minister has not identified any DPS areas within the City.

Bill 108 also introduced changes to the way the City would be able to finance and deliver community infrastructure through the introduction of a community benefits charge. Further actions related to Bill 108 were introduced through Bill 197, the COVID-19 Economic Recovery Act, 2020, which received Royal Assent on July 21, 2020. The Bill amended some provisions, and reversed a number of proposals that were introduced by Bill 108. Included in the Bill 197 amendments were modified development charges, rolled back changes to parkland dedication and new community benefits charge provisions intended to give municipalities flexibility to fund community services for new developments. Bill 197 also gave the Minister enhanced order-making powers, including powers for the Minister to require Inclusionary Zoning in the development or redevelopment of specified lands, buildings or structures outside of the Greenbelt.

The new community benefits charge framework came into force on September 18, 2020 with a two-year transition period to implement the framework. The community benefits charge will enable the City to apply a charge equivalent to up to 4% of the land value for capital costs borne by the City due to new development. The community benefits charge will replace Section 37 of the Planning Act. In the same manner that Section 37 was permitted to be used in addition to Inclusionary Zoning, the community benefits charge is separate and distinct from Inclusionary Zoning, with both tools able to be applied to the same development.

Provincial Policy Statement, 2020

The Provincial Policy Statement (2020) (the "PPS") provides province-wide policy direction on land use planning and development matters to promote strong communities, a strong economy, and a clean and healthy environment. It includes policies on housing matters that affect communities, such as:

- accommodating an appropriate affordable and market-based range and mix of housing types; and
- providing for an appropriate range and mix of housing options and densities to meet projected market-based and affordable housing needs of current and future residents of the regional market area by establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households and which aligns with housing and homelessness plans.

The provincial policy-led planning system recognizes and addresses the complex interrelationships among environmental, economic and social factors in land use planning. The PPS supports a comprehensive, integrated and long-term approach to planning, and recognizes linkages among policy areas. The PPS is more than a set of individual policies. It is to be read in its entirety and the relevant policies are to be applied to each situation.

The PPS recognizes and acknowledges the Official Plan as an important document for implementing the policies within the PPS. Policy 4.6 of the PPS states that, "The official plan is the most important vehicle for implementation of this Provincial Policy Statement. Comprehensive, integrated and long-term planning is best achieved through official plans."

The Growth Plan for the Greater Golden Horseshoe (2020)

The Growth Plan (2020) (the "Growth Plan") builds upon the policy foundation provided by the PPS (2020) and provides more specific land use planning policies to address issues facing the Greater Golden Horseshoe ("GGH") region. The Growth Plan (2020) provides a strategic framework for managing growth and environmental protection in the GGH region, of which the City forms an integral part, including supporting the achievement of complete communities, with access to a diverse range of housing options, and supporting a range and mix of housing options, to serve all sizes, incomes and ages of households. Policy 2.2.4.9.a) of the Growth Plan directs that development within all major transit station areas (MTSAs) will be supported, where appropriate, by planning for a diverse mix of uses, including second units and affordable housing, to support existing and planned transit service levels.

Municipal Comprehensive Review (MCR) Work Plan

At its meeting on June 29, 2020, Planning and Housing Committee approved City Planning Division's work plan for the Growth Plan Conformity and Municipal Comprehensive Review (MCR) Item PH14.4.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH14.4>. The Minister of Municipal Affairs and Housing has set a conformity date of July 1, 2022, by which all

upper and single-tier municipalities must have their official plans conform to the Growth Plan (2020).

The MCR underway presents an opportunity to address, through planning policy, a number of the growth related challenges facing Toronto today and in the future. These challenges include: housing affordability, climate change, mobility, public health and others that will help inform the City's response to, and recovery from the current global pandemic. As noted above, as part of the MCR, the City is delineating 180+ Major Transit Station Areas (MTSA), of which a subset will be protected MTSA (PMTSAs). The work plan describes a set of prioritization criteria, which directs staff to bring forward PMTSAs over others, given the City's ability to implement Inclusionary Zoning in PMTSAs.

Current and Planned Protected Major Transit Station Areas

On December 16, 17 & 19, 2020, City Council approved two PMTSAs as part of the Keele Finch Plus study: Finch West Transit Station Area and Sentinel Transit Station Area. These PMTSAs are currently before the Minister for approval. The Council approved delineations can be found here:

<https://www.toronto.ca/legdocs/mmis/2020/ph/bgrd/backgroundfile-158826.pdf>.

On April 22, 2021, Planning and Housing Committee endorsed for consultation 16 PMTSAs for the Downtown based on the Minister approved Downtown Secondary Plan. The draft delineations can be found here:

<https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-165470.pdf>.

The draft PMTSAs have been planned to achieve and exceed the identified minimum density for people and jobs through the land use designations and development permissions in the Downtown Plan. The delineated station areas are based on a walkshed analysis that took into account the walkability of stations using existing streets and pedestrian access, limitations or constraints that could impede walkability, and any unique or special characteristics of the local context. The final recommended PMTSAs for the Downtown are targeted to be brought forward for City Council consideration in Q4 2021 or early Q1 2022. Should the delineations be adopted by City Council, the Minister of Municipal Affairs and Housing has 120 days to consider and approve the final PMTSAs. Based on this timeline, it is anticipated that the PMTSAs could be in effect in late Q1 or early Q2 2022. However there is no recourse to the City in the event the Minister does not make a decision within the prescribed timeline as is currently the case with respect to the Keele-Finch PMTSA.

Staff are intending to bring forward the remaining PMTSAs where Inclusionary Zoning would apply prior to the July 1, 2022 Growth Plan conformity date, the majority of which would be brought forward in Q1 2022. As part of this process, consultation on the proposed PMTSA delineations and minimum densities would occur in advance of the July 1, 2022 conformity date. Following City Council adoption of the remaining PMTSAs, there would likely be a minimum additional 120 days for the Minister's consideration prior to these PMTSAs coming into force.

Municipal Housing Policies and Planning Initiatives

A key objective of the Official Plan is to provide a full range of housing in terms of form, tenure and affordability across the City and within neighbourhoods. While the City has created considerable new supply of condominium, high-rise housing, development has not kept pace with providing a diverse array of new housing to support the needs of current and future residents, including housing for low to moderate income households. In comparison to the scale of market condominium housing, a limited supply of purpose-built rental housing, affordable housing and smaller scale mid-rise housing has been created.

To address this, the City is pursuing a number of planning policy and zoning initiatives to transform our overall housing ecosystem to better support needs based on income. The housing continuum includes emergency shelters, supportive housing, seniors housing, social housing (including rent-geared-to-income housing), affordable housing and market rental and ownership housing. In addition, the City has implemented a range of municipal policies, programs and initiatives that target different points of the housing continuum. No one policy or initiative will be able to fully address challenges related to providing a full range of housing choices for all the City's current and future residents, however taken together these initiatives will make a transformative impact on the City's housing supply over the coming decade.

The following sections highlight the range of planning and housing initiatives underway across the City.

Expanding Housing Options in Neighbourhoods

Through the work of the Expanding Housing Options in Neighbourhoods, City Planning has advanced a multi-faceted work program to establish new as-of-right permissions for a variety of low-rise housing in existing neighbourhoods. Specifically, this work is intended to increase housing options that fit with the current scale of Toronto's residential neighborhoods to permit new types of housing such as garden suites in back yards, expanding housing types permitted within areas designated as Neighbourhoods on Major Streets, and allow duplexes, triplexes, and other forms of multi-unit houses in areas of the City where they are currently not permitted.

Toronto's neighbourhoods have a long history of providing a mix of housing options for the City's residents. Over time, however, many existing homes have changed from providing housing for multiple households or multi-generational households to being primarily single-family homes. The Expanding Housing Options work will help to provide more housing options across the City, specifically in the form of more rental housing and a range of unit types and sizes that a greater proportion of the City's residents are able to access. This work builds on Official Plan and Zoning by-law amendments adopted by Council in 2018 and 2019 to permit secondary suites and laneway housing.

Protecting and Maintaining Housing for Vulnerable Populations

Over the past few years, City Planning has also advanced policy initiatives that ensure housing choices for the City's most vulnerable residents. In March 2019, City Council approved zoning revisions for municipal shelters, enabling shelters to be allowed as-of-

right in more areas of the City. This zoning change has enabled the City to act quickly on potential temporary or permanent emergency shelter locations. In June 2019, City Council adopted OPA 453, which provides for the replacement of dwelling rooms lost to redevelopment and associated tenant supports. This policy responds to development pressures related to existing rooming houses, but also helps to provide tenants of rooming houses with similar supports and protections as are afforded to them under the Official Plan rental housing demolition policies and Municipal Code By-law and the Residential Tenancies Act. Work on establishing a uniform and consistent city-wide zoning and licensing approach for multi-tenant housing is also under review.

Securing Affordable Housing as a Priority Community Benefit

As the urgency around the provision of affordable housing has grown, so too has the expectation from local communities that affordable housing be included in new developments in their neighbourhoods. Developers have increasingly offered to secure affordable housing in new developments as part of their overall Section 37 contribution. The Official Plan 'large site' policy requires the provision of affordable housing as the first priority community benefit on sites larger than 5 hectares. Given the diversity in the manner in which affordable housing can be provided, the established practice has been to vary the level of affordable housing to be provided based on whether cash-in-lieu of affordable housing, land, or built units for a limited term of affordability or permanent affordability are being achieved. The varying ratios reflect the cost to both the City and the developer in the delivery of the housing. Where land is being provided, the expectation is land sufficient to provide 20 percent of the units will be conveyed to the City. In the case of delivery of built units, where the developer will maintain ownership of the units, 10 percent of the units are to be provided. If units are to be conveyed to the City or directly to a non-profit housing organization for the purposes of long-term affordability, the affordable housing obligation is significantly reduced to recognize the additional value that ongoing affordability provides. Through this policy, affordable housing has been delivered as part of creating complete communities across the City. Recent examples of implementation of the policy include redevelopment of 2550 Victoria Park Avenue and the Christie's redevelopment in Etobicoke.

Affordable housing has also been secured on sites within the Central Waterfront, ranging from the provision of 6.5% of the new residential units as affordable housing for 99 years, 10% of the units as affordable housing for at least 15 years, or where publicly owned land is provided, upwards of 30% of the units as affordable housing.

Through implementation of the Official Plan policies, City Planning staff have developed a well-founded financial analysis approach and implementation practices for securing new affordable housing. These practices and lessons learned have been used to inform the development of the Inclusionary Zoning Implementation Guidelines.

Updating the Definitions of Affordable Rental and Affordable Ownership Housing

Through the HousingTO 2020-2030 Action Plan, City Council directed staff to review options for a revised definition of affordable housing based on 30% of household gross income as a priority. A review of the Official Plan definition of affordable ownership housing has also been underway for the past number of years. An income based

definition of affordable ownership housing was presented to the Planning and Growth Management Committee in 2016. Committee deferred consideration of the definition at that time and directed staff to report back on a revised definition along with a final Inclusionary Zoning policy framework.

Through consultation on these definitions, a number of priorities were identified by stakeholders and the public. These include that the definitions of affordable housing reflect the incomes of low and moderate income households in the City, as well as very low income households, instead of being solely tied to market prices and rents, and affordable rents and prices broadly reflect the household composition of who will occupy different sized units. For example, a studio unit may be occupied by a single person household (one income earner), while a three-bedroom unit may be occupied by a single-parent with two children (one income earner) or a group of three roommates (three income earners). In order to address these objectives, the definitions of affordable rental and ownership housing use a slightly different methodology to determine rents and prices. The applicable rents and prices are identified in the Recommended Official Plan and Zoning By-Law section below.

A final report on the updated definitions of affordable rental and ownership housing has been advanced in parallel with the final report on Inclusionary Zoning. The definitions used for Inclusionary Zoning are the same that will be considered by City Council as part of the final recommendation report to update the Official Plan.

Concept to Keys

In the spring of 2020, the City launched the Concept 2 Keys (C2K) program to transform the development review process, identified through City Planning's End-to-End Review. Specific goals of the program include creating a more collaborative, accountable, predictable, transparent, customer centric and consistent development review process for new developments. At its meeting of September 22, 2020, the Planning and Housing Committee directed the development of a pilot affordable housing concierge/prioritizing stream to expedite the application and development review process as part of the C2K project. Through this work, a number of improvements to the development review process will be implemented, tested and refined. Since the beginning of 2021, the C2K program has prioritized and expedited the review of 21 affordable housing projects, creating a total of 2,269 new affordable housing units and 120 replacement social housing units. It is anticipated that as the C2K program advances, continuous improvements to the development review process will be implemented creating a higher level of customer service and improving efficiency service.

Municipal Housing Plan and Programs

HousingTO Action Plan 2020-2030

In December, 2019, City Council approved the HousingTO 2020-2030 Action Plan. The Action Plan envisions a city in which all residents have equal opportunity to develop to their full potential and is centred on a human rights based approach to housing. This human rights based approach recognizes that housing is essential to the inherent dignity and wellbeing of a person and to building inclusive, healthy, sustainable and liveable communities. 13 key strategic directions and 76 actions are set out in the Action

Plan to assist over 341,000 households and guide housing investments by all three orders of government of approximately \$23.4 billion from 2020 to 2030. The City's commitment through current and future investments is estimated to be \$8.5 billion over 10 years (including operating, capital investment and other financial tools).

The Action Plan sets a bold target of securing 40,000 new affordable rental homes by 2030, of which 18,000 will be supportive homes and at least 10,000 will be dedicated for women and girls, including female led households. The Action Plan also established a goal of creating 4,000 new affordable non-profit home ownership opportunities. The annual HousingTO Action Plan Progress Report is expected to be considered by Committee in Q4 2021.

In order to achieve the HousingTO Plan targets, the City is taking a multi-pronged approach to advance affordable housing through various means and opportunities.

Modular Housing

One of the key initiatives the City has advanced is leveraging city land for new affordable modular housing. Modular housing is an innovative and cost-effective way to build housing while providing a rapid, dignified response to connect people experiencing and at risk of homelessness with homes and appropriate supports to help them achieve housing stability. Through Phases One and Two of the Modular Housing Initiative, City Council approved a total of 250 modular homes on city-owned sites. Additional modular housing projects are being delivered through funding under the federal Rapid Housing Initiative. This housing addresses the needs of households who need deeper levels of affordability alongside support services. The first two modular projects went from approval to occupancy in about eight to nine months from City Council approval.

Housing Now Initiative

The City has also been taking leadership in utilizing its own lands for mixed-income developments. Through the Housing Now Initiative, approximately 10,000 new affordable rental units, representing on average 30% of the new housing as affordable, will be included in new developments and maintained as affordable housing for 99 years. Alongside the affordable housing, these developments will also contribute other community assets, such as child care facilities, space for community agencies, local parks and open spaces that will be added to neighbourhoods across the city. In addition, locating the affordable housing near higher-order transit services is expected to greatly reduce travel times and costs for low-and moderate income households, and provide greater access to employment, educational opportunities and services.

As sites advance through the re-zoning process, City Planning staff, in collaboration with the Housing Secretariat and CreateTO continue to seek opportunities to increase the potential yield of new affordable housing units at each location, in accordance with the objectives of the Official Plan, and being informed by Toronto's evolving development context. Through the work and commitment of all partners, many of these sites had city-initiated re-zonings in place in under 6 months from the date of first submission. Based on work done to-date to advance the first four priority sites, these sites are estimated to create approximately 13,290 residential units including

approximately 5,060 new affordable rental units. The sites are close to transit, as well as commercial and employment areas, and create opportunities to further develop complete communities, bringing benefits to existing and future residents.

Open Door Affordable Housing Program

In 2016, City Council approved the Open Door Affordable Housing Program to accelerate affordable housing construction by providing City financial contributions including capital funding and fees and property tax relief, fast-tracking planning approvals, and activating surplus public land. The program also works to improve the City's capacity to work with non-profit and private-housing sectors to create affordable housing at a faster pace. Through this program, the City provides waivers of development charges, planning and building fees, property tax exemptions, and capital funding.

Since 2016, a total of 11,143 affordable rental homes have been approved under the Program. The program has been successful in supporting non-profit housing providers to leverage affordable housing opportunities on their lands. Many of these projects provide affordable housing at deeper levels of affordability and secure the affordability of the housing for between 40 to 99 years.

Development of an Affordable Housing Access Plan

As the City's delivery of affordable housing is expanding across a range of housing initiatives, staff are currently consulting on and developing an affordable housing access system to streamline the process of advertising and filling future affordable units in a fair and transparent way. The proposed system will leverage the City's existing choice based access system for subsidized housing, with the goal of creating a single entry point for applicants to navigate a range of affordable and deeply affordable housing options that suit their needs.

Municipal Assessment Report

The Planning Act requires that the City prepare an assessment report and make it available to the public before Council adopts Official Plan policies for Inclusionary Zoning. Ontario Regulation 232/18 requires the assessment report to include the following information, which is to be considered in the development of Official Plan policies: an analysis of demographics, household incomes, housing supply, housing need and demand; current average market prices and rents; and analysis of the potential impacts of Inclusionary Zoning on the housing market.

A draft assessment report was prepared and presented to Planning and Housing Committee in May 2019 and was based on a pre-Bill 108 legislative framework. The assessment report is made up of two main components: a. Housing Need and Demand Analysis and b. Financial Impact Analysis. Updates to the assessment report were made in May 2020 to factor in the latest available market data, provincial changes to the land use planning framework introduced through Bill 108, and input received through public and stakeholder consultation. Further updates were made in 2021 to take into account the latest available market data, changes to the real estate market and land

values due to COVID-19, the new provincial community benefits charge, input received through further public and stakeholder consultation, and proposed changes to the City's definitions of affordable rental and affordable ownership.

The updated analysis has informed the recommended Official Plan Amendment. The final Housing Need and Demand Analysis and Financial Impact Analysis are provided as Attachments 5 and 6 and are available at toronto.ca/inclusionaryzoning.

a. Housing Need and Demand Analysis

In 2019, the City conducted research of key housing indicators from the two previous census periods (2006 and 2016), as well as recent CMHC and market data, to identify trends over roughly the past 10 years. This analysis was updated in 2020 and has been further updated in 2021 to include year-end 2020 rental market, resale market and new condominium sales data.

Looking at data overall for the City and by census tract for both owners and renters, a number of key trends stand out. The analysis of census data from 2006 to 2016 indicates that young adults aged 20-34 and adults between 50-69 years have made up the biggest increase in renters. The number of family owner households has also increased at a lower rate (5%) than family renter households (13%), indicating that more families are living in rental housing, either by choice or necessity. Similar to other household trends, the number of renters has grown notably in the City's Centres, and Downtown and Central Waterfront. This growth in rental supply, which has predominantly been through new condominium units, has not provided for affordably priced housing.

In addition to the census trends identified in 2019 and 2020, the recent analysis shows that rents in Toronto are continuing to rise faster than incomes with a 7.3% increase in average market rent across all private rental housing unit types in 2019 and a 4.5% increase in 2020, compared to a 1.6% increase in the Consumers Price Index (CPI) in 2020. The vacancy rate improved marginally from 2018 to 2019, from 1.1% to 1.5%, and then rose to 3.7% in 2020 due to effects of the COVID-19 pandemic. A healthy vacancy rate is typically considered to be 3%. Vacancy rates are expected to return to close to pre-pandemic levels in upcoming years.

The percentage of renter households paying more than 50% of their income on housing (23%) is almost double that of owners and has grown from 2006 to 2016 by 21%, with the most pronounced increases in the Centres and Downtown. Rising asking rents has likely contributed to the increase in the number of households paying more than 50% of their income on housing. Given that some of the lowest vacancy rates are in private rental housing with rents below 80% of average market rent, many low and moderate income households looking for housing today are still left with little choice except to pay a significant percentage of their income on rent.

An analysis of median incomes compared to 2020 asking rent and asking price data continues to show that condominium ownership and asking market rents are unaffordable to many of the City's renter households. Table 1 below shows the income needed to afford average asking prices for resale and new condominium units and

Table 2 indicates the income needed to afford average asking market rents for condominium and purpose-built rentals and CMHC average market rents. Table 2 demonstrates that the 2020 estimated median income for renter households (\$50,374) could only afford the CMHC average market rent for a purpose-built rental studio unit. This income level could not afford the average market rents for larger unit types, nor the average asking market rents or average ownership prices - leaving key workers like dental assistants, early childhood educators, and bank clerks priced out of housing they can afford. Considering that 44% of renter households earned less than \$40,000/year in 2016 compared to just 17% of owner households, much of the City's housing stock is out of reach to many of the City's renters.

Table 1: Income Needed to Support Typical Prices (2020)*

	Resale Condo Prices	Income Needed	New Condo Prices	Income Needed
Studio	\$415,622	\$93,550	\$439,650	\$98,959
One-Bedroom	\$554,822	\$124,882	\$488,500	\$109,954
Two-Bedroom	\$699,179	\$157,375	\$732,750	\$164,931
Three-Bedroom	\$718,431	\$161,708	\$928,150	\$208,913
All	\$625,409	\$140,770	\$809,935	\$182,304

Table 2: Income Needed to Support Typical Rents (2020)**

	Asking Rent: Condo Rentals***	Income Needed	Asking Rent: Purpose Built Rentals****	Income Needed	CMHC Average Market Rent*****	Income Needed
Studio	\$1,359	\$54,360	\$1,450	\$58,000	\$1,211	\$48,440
One-Bedroom	\$1,510	\$60,400	\$1,725	\$69,000	\$1,431	\$57,200
Two-Bedroom	\$2,265	\$90,600	\$2,111	\$84,440	\$1,661	\$66,440
Three-Bedroom	\$2,869	\$114,760	\$2,549	\$101,960	\$1,887	\$75,480
All	\$2,083	\$83,320	\$1,851	\$74,040	\$1,538	\$61,520

* Income needed for ownership housing prices based on:

- Spending maximum of 30% of gross income on housing costs (the housing affordability threshold)
- Standard inputs for amortization period, down payment, interest rate and taxes

** Income needed for rental housing based on spending maximum of 30% of gross income on housing costs (the housing affordability threshold)

*** Asking rents for condo rentals as per Q4 2020 Urbanation data

**** Asking rents for vacant purpose-built rentals as per CMHC 2020 Rental Market data

***** CMHC average market rents represent average rents for both vacant and occupied purpose-built rental units

Market Area Analysis

The market area analysis was updated to factor in 2020 asking market rents and asking ownership price data, the City's development pipeline data up to Q4 2020 and the updated financial impact analysis results. This analysis is meant to identify different market areas across the City and their capacity to absorb Inclusionary Zoning requirements while ensuring continued development viability. A map of Inclusionary Zoning Market Areas is included in Attachment 3.

To determine the Inclusionary Zoning Market Areas, sales and market data from the past 5 years was reviewed and a number of indicators analyzed. In order to be included as Inclusionary Zoning Market Area 1, 2 or 3, the geographic area had to achieve at least fifty percent of a minimum number of indicators that were assessed for that area demonstrating high development viability and strength. Indicators were based on resale prices for condominium apartments, resale price escalation, new condominium prices, new condominium price escalation, new rental prices, intensity of development activity measured by the number of approved and proposed units in the development pipeline, and the results of the financial viability analysis. As the data analyzed represents year-end 2020 market data, the short-term impacts of the COVID-19 pandemic on the housing market have been included in this analysis. Data was not uniformly available for all areas, as not every market had new condominium and rental projects transactions during the 5 year time period that was analyzed. Based on the market criteria, Inclusionary Zoning market areas include the former City of Toronto, North Toronto, North Yonge Corridor, North York West, South Etobicoke, Scarborough City Centre and Southwest Scarborough.

Areas of the City not included in the Inclusionary Zoning Market Areas are generally areas where significant new development is not occurring and prices and price growth have not been strong compared to the City as a whole. For example, the area along Eglinton Avenue East, generally between Bayview Avenue and Victoria Park Avenue, passed the two checks for price escalation but did not pass the three checks for new and resale condominium prices and units in the pipeline. Etobicoke City Centre did not pass 10 of the 11 market and financial viability checks. As new investment occurs in these areas, such as transit or other infrastructure, and planning frameworks are updated, market conditions could begin to adjust and if so they could be included as an Inclusionary Zoning Market Area in the future.

Boundaries for market areas were determined based Altus, RealNet and CMHC market areas, as indicator data on prices, rents and price growth are generally collected using these boundaries. Boundaries were also informed by anticipated Major Transit Station Area delineations, to generally ensure that potential Protected Major Transit Station Areas would fall either inside or outside of an Inclusionary Zoning Market Area.

Legislatively, the assessment report must be reviewed at least every five years in order to evaluate whether the market has changed over the past five years and if Inclusionary Zoning requirements should be adjusted and/or applied to new areas. Given that Inclusionary Zoning represents the introduction of a new policy, the City has committed to conducting a review after three years.

b. Financial Impact Analysis

The City retained N. Barry Lyon Consultants Limited (NBLC) in 2018 to conduct a residual land value assessment of the impact of a range of Inclusionary Zoning requirements on 11 geographies across the City. Since 2018, NBLC has provided updates to the financial impact analysis in both 2020 and 2021. The most recent report includes updates to the latest available market data, changes to the real estate market and land values due to COVID-19, the new provincial community benefit charge, input received through further public and stakeholder consultation, feedback from a peer review and proposed changes to the City's definitions of affordable rental and affordable ownership.

The analysis looked at the predominant built form and as-of-right and supportable densities in order to assess potential development for an area. NBLC's methodology looks at how Inclusionary Zoning could be applied without impacting the financial viability of development by undertaking a residual land value assessment. If the policy requirements are set too high, landowners may not sell their property and new development may not occur as the impact of the policy would reduce the value of land to a level that there would be no incentive to develop. In order to achieve a comprehensive assessment, NBLC included other impacts on development costs including potential changes to municipal fees and requirements.

In terms of revisions to policy parameters, the updated financial impact analysis currently assumes an affordability period of 99 years and affordable rents and affordable ownership prices based on the proposed changes to the City's definitions that incorporate an income-based approach. This is a shift from 80% of average market rent as tested in the 2020 update. NBLC undertook two methodological tests to inform Inclusionary Zoning viability. The first looked at whether the residual land value with an Inclusionary Zoning requirement was 10% greater than the 'as is' land value. This test informs whether over the long term, a land vendor would choose to sell land. The second test looked at whether a site with Inclusionary Zoning had less than a 15% impact to rezoned land values. This test considers the impact of Inclusionary Zoning if a site has already been priced based on anticipated residential densities. NBLC added this second test in response to recommendations from the City's third party review consultant. Through this work, a number of different set aside rates were tested. 30%, 20% and 10% were tested for affordable ownership units and affordable rental units in condominium buildings and set aside rates of 20%, 10% and 5% were tested for affordable rental units in purpose-built rental buildings. These amounts were further refined to ensure initial rates were generally less than a 15% impact to land value. Further testing looked at rates of 4%, 8% and 12% for affordable ownership units, 4%, 6% and 8% for affordable rental units in condominium buildings and 4%, 6% and 8% for purpose-built rental buildings.

The analysis assumed that no financial incentives would be provided to support the Inclusionary Zoning requirement. Financial incentives were not tested as the purpose of the analysis was to inform a baseline inclusionary zoning requirement that would support development viability and also be financially sustainable for the City. The analysis did however assume no requirements for parking for the affordable units as a regulatory incentive. This itself provides relief as construction costs for a single underground parking space may range between \$48,000 and \$160,000. The analysis

also assumed the continued application of the existing development charge and parkland policies in place today, but incorporates a community benefits charge pursuant to Provincial legislative changes in lieu of applying the previous Section 37 legislative requirements.

The updated analysis notes that while the degree to which the COVID-19 pandemic will have long term implications on real estate markets is currently unknown, the underlying fundamentals of Toronto's local real estate market, particularly throughout traditionally strong market locations, has remained strong to date through much of the pandemic. Market data reflecting the short-term impact of the COVID-19 pandemic has been included in the analysis.

Findings from this analysis confirm that land values are not equal throughout the City. Many market areas are more easily able to absorb the impact of Inclusionary Zoning with only marginal impacts on land value. The findings of the financial impact analysis show that the Downtown, North Toronto, the North Yonge Corridor, and Toronto East and West have very strong market fundamentals and the testing conducted shows evidence that that the land market should have capacity to absorb the impact of an Inclusionary Zoning policy as proposed in this report without jeopardizing development viability. This means that market pricing is high enough and there is enough density added through the rezoning process that development would be viable after the policy. The analysis indicates that an initial set aside rate of 8% for affordable ownership units and 6% for affordable rental units could be absorbed in new condominium apartment projects in the strongest market areas. Most test locations did not pass the second viability test at a 12% set aside rate indicating 12% or higher set asides could result in land value impacts that create near-term risks. The results in purpose-built rental development are generally challenging outside of the downtown. While the results provide general direction to inform policy development, the report notes that the analysis cannot account for variations of site- and market-specific conditions or the interests of individual developers and landowners.

The analysis highlights the highly variable market conditions for development across the City for both condominium and purpose-built rental projects. The findings demonstrate that affordable housing requirements in purpose-built rental projects would result in more significant impacts on land values in strong market areas compared to the impact on condominium projects, to the point where purpose-built rental projects were no longer viable in some test areas. In order to continue to see the recent growth in rental market activity, the results of the financial impact assessment suggest the need for policy direction that addresses financial viability challenges faced by purpose-built rental projects.

Another key finding of the updated analysis is that the modeling demonstrates that the delivery of affordable ownership at the same set aside rate as affordable rental would have less of a financial burden on the development community and is therefore more appealing, indicating a need for a different set aside rate for affordable ownership units and affordable rental units.

Based on the findings, the final report recommends that the policy be introduced gradually over a set phase-in period to ensure markets are able to adjust and land value

impacts are gradually accommodated. The report also recommends establishing a clear transition period, allowing sites in pre-development stages to proceed.

Third Party Review

The provincial Inclusionary Zoning regulation requires the Financial Impact Analysis to be reviewed by a qualified entity independent of the municipality. In 2021, the City retained the consulting firm Economic & Planning Systems (EPS) to undertake a peer review of NBLC's analysis. EPS is an urban economics firm and has demonstrated experience with Inclusionary Zoning studies, financial feasibility analyses, and housing market and needs assessments.

The key objectives of the peer review analysis were to determine whether NBLC's approach and methodology were appropriate for determining feasibility and whether any additional limitations or matters should be considered in relying on NBLC's analysis to inform the City's final recommended Inclusionary Zoning policy framework.

EPS reviewed NBLC draft Financial Impact Analysis reports from May 2019, 2020 and 2021 and additional background materials provided by City staff. The peer review approach focused on NBLC's use of prototypes and geographic variability, land value, construction costs and revenue assumptions, pro forma modeling and the report's findings and recommendations.

EPS generally found that NBLC's analysis meets the requirements set out in the Provincial Inclusionary Zoning regulation for a financial impact analysis and uses an appropriate methodology for the assessment of Inclusionary Zoning viability and for informing the development of an Inclusionary Zoning policy. EPS' report reinforces many of NBLC's recommendations regarding phasing, implementation, program administration, and coordination with PMTSA planning.

The peer review report made recommendations to strengthen NBLC's report and analysis including:

- Considering an additional viability metric that assesses impact to base case land values with no Inclusionary Zoning requirements. EPS suggested this second viability metric would provide further insight on a conservative to optimistic set aside range and capacity for Inclusionary Zoning;
- Providing more detailed recommendations on transition and phasing in of the Inclusionary Zoning policy;
- Adding a technical appendix with additional information on assumptions; land transaction information, and documentation of market data and trend information; and
- Clarifying terminology used in the report.

NBLC considered the recommendations outlined in the peer review report and revised their report in response. EPS' advice and report recommendations were considered prior to finalizing the City's recommended Inclusionary Zoning framework and informed the development of the set asides and phase-in strategy.

The peer review report prepared by EPS is included as Attachment 7.

Three Year Review of Municipal Assessment Report

The Planning Act requires that the City's Assessment Report is reviewed at least every 5 years for the purpose of determining whether any parts of the Official Plan policy should be amended. As part of this review, an updated Assessment Report will be required to be completed. An update to the Assessment Report will include updating the Housing Need and Demand Analysis, Market Area analysis and Financial Impact Analysis.

In addition to reviewing and updating the Assessment Report, the City will specifically examine market indicators to understand what impact, if any, Inclusionary Zoning policies have had on land values, development approvals, ownership prices and rents. The three year review will also be an opportunity to re-evaluate the phase-in schedule for the set aside rate and adjust the rate or pace of phase-in if necessary.

Monitoring and Reporting

The Planning Act requires that a report be produced at least every two years related to monitoring and tracking the Inclusionary Zoning units secured. This report will identify the number of Inclusionary Zoning units secured on an annual basis, as well as the mix of bedroom types, location and wards of the units, and the household incomes that were supported. Requirements to monitor the number of units that reach the end of the affordability period and any proceeds that are received after the final resale of an affordable ownership unit will also be addressed.

Public and Stakeholder Consultations

City Planning undertook a comprehensive consultation and communication program to share information with stakeholders and the public and seek feedback on Inclusionary Zoning. A key objective of the consultation program was to hear from those who may be impacted by or interested in Inclusionary Zoning, including those in need of affordable housing, renter households, the development industry, non-profit housing providers, and housing advocacy groups.

Stakeholders and public input has helped to shape staff's recommendations for Toronto's Inclusionary Zoning framework over the past two and half years through multiple phases of engagement:

- Spring 2019: Initial stakeholder consultation to inform the proposed Inclusionary Zoning policy directions
- Summer/Fall 2019: Phase 1 consultation program on the proposed Inclusionary Zoning policy directions and draft assessment report
- Fall 2020/Winter 2021: Phase 2 consultation program on the draft Inclusionary Zoning policies and updated draft assessment report
- Spring/Summer 2021: stakeholder engagement on the final recommended Inclusionary Zoning policies, assessment report and implementation guidelines

The City retained firms experienced in conducting public consultations to support the consultation program and assist with project communications. To enhance public awareness of Inclusionary Zoning and promote engagement activities, the communications approach included Inclusionary Zoning posters at 100 transit shelter stops located across the city, an [Inclusionary Zoning website](#), a [video posted on Youtube](#) that highlights real housing stories shared by Toronto residents, posts and consultation event pages on the City's social media accounts, and shared information through the Inclusionary Zoning, Housing Plan and Poverty Reduction Strategy's E-Update subscription lists (totalling over 2,700 subscribers), stakeholder networks and through City Councillors' email lists. City staff also participated in a number of panel discussions on Inclusionary Zoning, including webinars hosted by the University of Toronto, the Urban Land Institute Toronto, the Institute on Municipal Governance and Finance, the Canadian Institute of Planners, and the Ontario Professional Planners' Institute. The City also hosted a [panel discussion](#) with representatives from New York City and Boston to discuss lessons learned for Toronto's Inclusionary Zoning policy.

To obtain a wide range of feedback and perspectives, the consultation approach provided opportunities for multiple stakeholder groups and the general public to provide input through a variety of formats. This included:

- 4 meetings with an Expert Advisory Panel on Inclusionary Zoning, created to provide strategic advice for Toronto;
- 9 key stakeholder roundtable meetings with development industry and housing advocacy stakeholders representing over 50 organizations;
- 4 economic consultant to consultant meetings with representatives from NLBC, BILD, Altus Group and Finnegan Marshall;
- Over 30 targeted stakeholder meetings, including with BILD and its chapter members, the Greater Toronto Apartment Association, the Toronto Alliance Against Homelessness, the City's Lived Experience Advisory Panel, Planning Review Panel, Design Review Panel, Violence Against Women Policy Working Group and Tenant Advisory Committee and with the Toronto Indigenous Community Advisory Board;
- 4 in-person public consultation meetings in 2019 (one in each of the Community Council districts) attended by approximately 80 people;
- 3 virtual public consultation meetings in 2020 attended by approximately 375 people;
- 2 Train-the-Trainer sessions held by City Planning to support community groups and individuals to host their own workshops on Inclusionary Zoning;
- 12 Do-It-Yourself (DIY) Workshops held across the City, including in Etobicoke, Scarborough, Regent Park, Parkdale, Lawrence Heights and Downtown, with approximately 130 participants;
- An online survey to engage the general public which generated responses from over 475 individuals;
- 70 oral and written submissions to the Planning and Housing Committee; and
- Over 400 written submissions on the proposed policy directions or draft Inclusionary Zoning policy.

The final recommended Inclusionary Zoning policy and zoning amendments reflect stakeholder and community input received over the past two and a half years.

Summary of Phase 1 Consultation (2019) – Proposed Policy Directions

City staff consulted broadly on proposed Inclusionary Zoning policy directions in Summer/Fall 2019. Consultation included stakeholder meetings, public open houses, an online survey, written submissions, Do-It-Yourself Workshops and a speaker's event.

Consultations focused on identifying stakeholder and public priorities for the Inclusionary Zoning policy and highlighted that prioritizing certain policies could have the impact of not being able to achieve as much on other policy matters. Stakeholder feedback generally identified a 99 year or permanent affordability period as the top priority for Inclusionary Zoning. Many stakeholders and members of the public also called for revisions to the definition of “affordable” to better reflect residents’ incomes.

Other common feedback from the consultations included:

- affordable housing requirements should apply to a percentage of the entire development as opposed to a percentage of the density uplift;
- ensure that family-sized affordable units (i.e. two- and three-bedroom units) would be secured through Inclusionary Zoning;
- lower requirements should apply for purpose-built rental projects, as Inclusionary Zoning could further deter rental units from being built;
- offer a menu of options for compliance, where fewer units with deeper affordability or more units with more moderate affordability could be provided for any given project;
- some supported exemptions for mid-rise development given that the development economics are challenging even without affordable housing requirements, while others suggested applying Inclusionary Zoning to development with as few as 10 units; and
- a clear transition period should be laid out to allow land values to adjust and to support continued project viability.

At the speaker's event held in November 2019, representatives from New York City and Boston affirmed the need to rely on a feasibility analysis to inform Inclusionary Zoning requirements and recommended that Toronto secure affordability over the long-term. A detailed summary of the consultation activities and feedback received on the proposed policy directions was presented to this Committee in November 2019 and is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH10.3>

Summary of Phase 2 Consultation (2020/2021) – Draft Policies

A second round of stakeholder and public consultation was undertaken throughout Fall 2020 and Winter 2021 to seek input on the draft Official Plan policies and Zoning By-law amendments for Inclusionary Zoning. Consultation included three virtual public meetings and fifteen stakeholder meetings.

In general, public feedback included strong support for two key moves proposed in the draft Inclusionary Zoning policy: (1) shifting from a proposed 25 year affordability period to a 99 year affordability period and (2) incorporating an income-based approach to the definition of affordable rental housing. However, a majority of the public feedback

recommended the City take a bolder approach to the Inclusionary Zoning policy and expressed expectations that the policy should achieve 20-30% requirements for affordable housing in new developments. The public meetings included opportunities to provide input on four options to achieve higher set aside rates: requiring a higher percentage in very strong areas, requiring a higher percentage in very large developments, directing that a higher percentage will apply in 3-5 years, or lowering the affordability period to less than 99 years. Across the three public meetings, the option to increase requirements in very strong markets areas received the most support.

About 325 emails were received in support of petitions from housing advocacy groups recommending:

- 20 to 30% of the square footage of all new developments is set aside as affordable, with higher set aside rates in the strongest market areas;
- Inclusionary Zoning apply to developments with 60 or more units;
- The policy address a mix of affordability levels, including targets for deeply affordable units;
- A definition of affordability that prioritizes household income and deep affordability;
- A policy that applies to all areas of the city to ensure low & moderate income neighbourhoods aren't left out; and
- The long-term affordability period (99 years) be maintained.

Additional feedback from housing stakeholders and the public included suggestions to require the units remain affordable in perpetuity instead of for 99 years, consider policy options to prioritize affordable rental units over affordable ownership units, require universally-designed affordable units and ensure the final Inclusionary Zoning framework reflects a human rights-based approach to housing.

Development industry stakeholders expressed concerns with the lack of incentives included in the draft policy and recommended that a suite of City incentives support the Inclusionary Zoning policy to reflect a "partnership" approach. Feedback also included concerns about the following:

- The 99 year affordability term would exceed the life cycle of a building, leading to uncertain future capital repair costs and difficulty in valuing the affordable housing units;
- Market rents should be tied to Average Market Rents, as reported by Canada Mortgage and Housing Corporation, as it is a reliable metric that consistently grows year over year;
- Set-aside rates should be modest and slowly phased-in to account for challenges surrounding the availability and price of land, construction cost increases, and costs associated with more challenging or non-prototypical development sites;
- The proposed set aside requirements were too onerous and could have a negative impact on market housing supply.
- The need for a longer transition period of at least one year from Council adoption or one year from approval of a Protected Major Transit Station Area, exemptions for developments with in-force zoning, and clarity on the intersection of Inclusionary Zoning with other housing policies (e.g. rental replacement and large sites policies).

Both housing advocate and development industry stakeholders requested additional clarity on how the affordable units created through Inclusionary Zoning will be administered, governed and monitored over time and suggested that the Inclusionary Zoning requirement be gradually phased as part of the transition approach. Stakeholders also identified constraints with the provincial requirement for Inclusionary Zoning to be implemented only in PMTSAs and requested additional clarity and certainty regarding the City's work plan for delineating PMTSAs.

A detailed summary of the feedback received in the Phase 2 consultation is available here: <https://www.toronto.ca/wp-content/uploads/2021/04/9731-2021-04-20-Inclusionary-Zoning-Phase-2-Summary.pdf>

2021 Stakeholder Consultation

A final phase of stakeholder engagement on the updated assessment report, Inclusionary Zoning policy and implementation guidelines took place in Spring/Summer 2021. This included fifteen additional stakeholder meetings.

Development industry stakeholders continued to request the inclusion of an incentives framework (e.g. density bonusing, reduced parking requirements, reduction in parkland dedication, and waiving or reducing development charges and application fees). Feedback also focused on aligning Inclusionary Zoning policies with updates to as-of-right zoning permissions, providing a mechanism to request reduced or waived Inclusionary Zoning requirements, easing requirements for purpose-built rental development which has been particularly challenged under pandemic conditions, requesting that the Province amend the Planning Act to allow the City to accept cash-in-lieu of affordable housing, and employing a graduated and phased-in approach with equal percentage increases each year. Industry members also recommended extending the transition date to January 1, 2023 and clearly exempting developments with approvals in place and subject to an in-force zoning by-law amendment.

In general, housing advocate stakeholders expressed continued support for higher set aside rates and recommendations for graduated increases to the requirements over time. Suggestions were made to clarify the role of non-profit housing organizations in the management and stewardship of affordable units created through Inclusionary Zoning, ensure that equity, including and human rights related commitments and obligations are met through administration of the affordable units, apply Inclusionary Zoning to smaller developments and provide opportunities to integrate or stack housing programs and benefits (e.g. housing allowances and the Canada-Ontario Housing Benefit) with Inclusionary Zoning to achieve deeper levels of affordability.

The City will also be hosting a virtual Open House to address any questions on the final recommended Official Plan Amendment and Zoning By-law, scheduled for October 21, 2021.

Recommended Official Plan and Zoning By-law Amendments

The final recommended Official Plan and Zoning By-law Amendments for Inclusionary Zoning were developed based on the updated assessment report analyses and

feedback from inter-divisional partners, stakeholders and the public. The policies and zoning by-law reflect the requirements set out in the Planning Act and Ontario Regulations 232/18 and 300/19.

The Official Plan Amendment proposes to add new Inclusionary Zoning policies to Section 3.2.1 Housing and Section 5.1 Managing Growth and Change: The Planning Tool Box of the City of Toronto Official Plan. A new Map 37: Inclusionary Zoning Market Areas is also proposed.

The Official Plan Amendment and Zoning By-Law Amendment address the following matters:

1. Goals and Objectives
2. Geographic Application
3. Unit Set Aside and Phase-In
4. Purpose-built Rental Projects
5. Length of Affordability
6. Depth of Affordability
7. Development Size Threshold and Exemptions
8. Incentives
9. Range of Unit Types and Sizes
10. Providing Units on another Site
11. Agreements
12. Transition

1. Goals and Objectives

The Planning Act requires municipal Official Plans to include goals and objectives for Inclusionary Zoning. The OPA outlines the following goals and objectives for Toronto's Inclusionary Zoning policy: increase the supply of affordable housing for low to moderate income households, continue to support a diverse range of housing supply and support the development of more inclusive and equitable communities. The Inclusionary Zoning requirements in the OPA and ZBLA have been crafted with these goals in mind.

2. Geographic Application – PMTSAs and Inclusionary Zoning Market Areas

As previously identified, the Planning Act permits municipal Official Plans to contain Inclusionary Zoning policies in respect of a PMTSA or a Development Permit System (DPS) area adopted or established in response to an order by the Minister of Municipal Affairs and Housing ("the Minister"). As a result of these Planning Act restrictions, Toronto cannot implement Inclusionary Zoning city-wide.

The Inclusionary Zoning regulation requires municipal official plans set out the locations and areas where Inclusionary Zoning by-laws would apply. The OPA outlines that zoning by-laws may be enacted to require Inclusionary Zoning in development located in:

- (a) an Inclusionary Zoning Market Area; and

(b) either a DPS area ordered by the Minister or a PMTSA.

The City will be implementing Inclusionary Zoning in PMTSAs located in an Inclusionary Zoning market area. The inclusion of affordable units will become the standard for new developments around transit stations in the City.

Inclusionary Zoning market areas are identified on Map 37 in the OPA. These are areas in the City that have experienced the greatest amount of new housing supply, significant price escalation and growth in rental prices and where NBLC's Financial Impact Analysis determined the land markets have the capacity to absorb Inclusionary Zoning requirements without jeopardizing development viability. These are also generally areas of the City with the highest proportion of renter households paying 50% or more of their income towards rent. Based on development activity between January 1, 2016 and December 31, 2020, development located within the proposed Inclusionary Zoning market areas accounted for 62% of the proposed units and 41% projects in the pipeline (projects under review or active). The Inclusionary Zoning market areas would capture approximately 75% of the proposed units and 56% of the proposed projects in the pipeline if Inclusionary Zoning were not limited to PMTSAs.

The OPA does not propose implementing Inclusionary Zoning in all transit station areas across the City. Approximately 107 of the City's 180+ MTSA's are located in an Inclusionary Zoning market area. As a policy tool that depends on market development to deliver affordable housing, Inclusionary Zoning is best positioned to create mixed income developments within areas of the City where growth is occurring and development and land economics can support the inclusion of affordable housing units. This approach helps to contribute to inclusive and complete communities, where the market has not provided for a mix of housing prices on its own. Accordingly, Inclusionary Zoning is not proposed to be implemented in areas of the City experiencing little growth and where development economics cannot support the inclusion of affordable housing units at this time without financial incentives. As noted above, the three year review of the assessment report will update the market area analysis. Delineations for Protected Major Transit Station Areas outside of Inclusionary Zoning market areas could be advanced before the three year review to ensure the framework is in place should the market areas be expanded. In the meantime, development outside an Inclusionary Zoning market area could continue to secure affordable housing through Section 37 or community benefits charge contributions, leveraging the Open Door Affordable Rental Program incentives or through other planning tools such as a Development Permit System framework or Community Improvement Plan.

Experience from other jurisdictions suggests that geographic targeting of Inclusionary Zoning should be based on a feasibility analysis and updated regularly to factor in changes to market conditions. It is anticipated that Map 37 in the OPA would be updated following the 3-year review of the Inclusionary Zoning policy to identify other areas of the City subject to Inclusionary Zoning, based on changing market conditions, development activity and updated planning frameworks. Throughout consultations, many stakeholders and the public supported reviewing market areas every few years to capture emerging areas that become more viable over time.

The OPA and ZBLA propose three Inclusionary Zoning market area categories – market areas 1, 2 and 3. Previously, the draft Inclusionary Zoning policy proposed two market area categories – strong and moderate market areas. A third market area is now proposed as a result of input received through stakeholder and public feedback and the updated assessment report analyses. Market area categories are used to determine which transit stations Inclusionary Zoning will apply to and the level of affordable housing required.

Inclusionary Zoning Market Area 1 includes the Downtown Core, Downtown East, Downtown West, Central Waterfront and Bloor-Yorkville. These are the market areas that passed the market area check outlined in the Housing Need and Demand Analysis and demonstrated viability at higher set aside rates in NBLC's Financial Impact Analysis. Inclusionary Zoning Market Area 1 will have the highest Inclusionary Zoning set aside requirements.

Inclusionary Zoning Market Area 2 includes Toronto West, Toronto East, North Toronto and Yonge-St. Clair. These areas passed the market area check outlined in the Housing Need and Demand Analysis and demonstrated viability for both purpose-built rental and condominium development in NBLC's Financial Impact Analysis. Inclusionary Zoning Market Area 2 will have the second highest Inclusionary Zoning set aside requirements.

Inclusionary Zoning Market Area 3 includes South Etobicoke, North York West, North Yonge Corridor, Scarborough Central and Scarborough City Centre. These areas passed the market area check and demonstrated viability for condominium development in NBLC's analysis, but not at the same set aside rates as the test sites in Market Area 1 or 2. While the test sites in Market Areas 1 and 2 demonstrated viability for purpose-built rental developments, these areas did not meet the viability tests for rental development in NBLC's analysis. Inclusionary Zoning Market Area 3 will have the lowest Inclusionary Zoning set aside requirements.

In addition to Map 37 in the OPA, the ZBLA refers to the Inclusionary Zoning Overlay Map. This map will identify delineated PMTSAs approved by the Minister that are located in each of the Inclusionary Zoning market areas. The Inclusionary Zoning Overlay Map will be created and updated as PMTSAs are approved by the Minister. For example, it is anticipated that the final Minister-approved delineations for the sixteen PMTSAs within the Downtown Secondary Plan will be added to the Inclusionary Zoning Overlay Map and identified in Inclusionary Zoning Market Area 1 through a future ZBLA.

3. Unit Set Aside and Phase In

The OPA and ZBA outline the minimum percentage of affordable housing required to be included in new development. The requirement is based on a percentage of the total new residential gross floor area (GFA) and not a percentage of the proposed density uplift. This approach was recommended by stakeholders and the public to provide greater certainty around the affordable housing requirement while also providing greater flexibility to secure a range of housing types and sizes. The required affordable GFA can be carved into smaller or larger units to meet the unit mix requirements outlined in the OPA and will avoid outcomes resulting in half an affordable unit being required.

Table 3 below summarizes the minimum requirements for affordable housing beginning in 2022. The requirements vary depending on three factors:

- (1) the location of the development;
- (2) the tenure of the proposed development; and
- (3) the tenure of the affordable units.

This approach reflects feedback from stakeholders and the public and findings from the Financial Impact Analysis demonstrating that market areas across the City have different capacities for absorbing Inclusionary Zoning requirements, lower requirements should apply to purpose-built rental development, and the provision of affordable ownership units would have different land value impacts than the provision of affordable rental units.

Table 3: Inclusionary Zoning Set Aside Rates for 2022 (% of total GFA required to be affordable)

	Condominium development securing affordable rental housing units	Condominium development securing affordable ownership housing units	Purpose-built rental development
Inclusionary Zoning Market Area 1	7%	10%	0%
Inclusionary Zoning Market Area 2	6%	8%	0%
Inclusionary Zoning Market Area 3	5%	7%	0%

An earlier draft of the OPA proposed the same set aside rate regardless of whether affordable ownership or affordable rental units are secured. A distinct set aside rate for affordable ownership units secured in condominium development is now proposed based on updated analysis and feedback on the draft OPA. The Financial Impact Analysis demonstrated that providing affordable ownership units has a lesser impact to land values than providing affordable rental units. Since the Planning Act does not authorize municipalities to require a certain tenure for the affordable housing secured through Inclusionary Zoning, it is expected that the tenure of the affordable units would be negotiated on a site-by-site basis. As a result, the OPA outlines requirements for affordable ownership units set at 1.4 times the set aside rate for affordable rental units. This equivalency is based on a calculation of the average capitalized value of an affordable rental unit compared to the price of an affordable ownership unit. The intent is to support the creation of both affordable rental and affordable ownership housing through Inclusionary Zoning.

For clarity, the ZBLA outlines that the total new residential GFA in a development does not include any GFA attributable to rental replacement units. As well, affordable rental

replacement units required under Policy 3.2.1.6 of the Official Plan (the 'rental replacement' policy) are not counted towards the Inclusionary Zoning affordable housing requirement. This is to ensure that rental replacement units are not double-counted, both in terms of determining and meeting the Inclusionary Zoning requirement.

The OPA incorporates two policy approaches to address direction from Planning and Housing Committee to explore options to increase the set aside rates: (1) establishing a third market area category and (2) implementing a graduated phase-in approach. A third market area category was created to leverage opportunities to require a higher set aside rate in areas demonstrating the strongest development viability.

The OPA and ZBLA outline that the set aside rates will increase on an annual basis beginning January 1, 2025 until January 1, 2030. The phase-in period, ending in 2030, would align with the 10 year review of the HousingTO 2020-2030 Action Plan. The rate for affordable rental housing secured in condominium developments will increase by 1.5% per year in Market Area 1, 1% per year in Market Area 2, and 0.5% per year in Market Area 3. The rate for affordable ownership housing will increase based on a 1.4 times equivalency to the requirement for affordable rental housing. Requirements for purpose-built rental developments will be introduced at a modest rate in 2026. This graduated phase-in approach was recommended by both housing and development industry stakeholders, to signal expectations that higher requirements would apply over time while simultaneously providing time for the industry and land markets to adjust. The phase-in rates vary by market area based on historical data demonstrating revenues have increased a higher pace in Market Area 1 compared to Market Area 3. Table 4 below identifies the set aside rates at the end of the phase-in period. The percentages were informed by the updated Financial Impact Analysis, with consideration given to increasing the Inclusionary Zoning requirements over time to rates that would support continued development viability at the conclusion of the phase-in.

Table 4: Inclusionary Zoning set aside rates after phase-in (effective January 1, 2030)

	Condominium development securing affordable rental housing units	Condominium development securing affordable ownership housing units	Purpose-built rental development
Inclusionary Zoning Market Area 1	16%	22%	5%
Inclusionary Zoning Market Area 2	12%	17%	3%
Inclusionary Zoning Market Area 3	8%	11%	0%

4. Purpose-built Rental Projects

At the outset of Inclusionary Zoning implementation, purpose-built rental development would have no minimum requirements for affordable housing. This approach aligns with the HousingTO Action Plan and Official Plan policies to support purpose-built rental housing development. Stakeholder feedback strongly recommended that the policy not create additional challenges to build rental development in the City. Background analysis demonstrated that rental developments would be more adversely impacted by Inclusionary Zoning requirements compared to condominium developments. In some market areas, NBLC's analysis concluded that purpose-built rental development would be challenged to meet affordable housing requirements and applying an Inclusionary Zoning requirement would discourage investment and rental housing supply. The City will continue to incentivize the creation of affordable rental housing in rental developments through the Open Door program.

Requirements for purpose-built rental developments will begin to be introduced at a modest rate in 2026. The rate and graduated phase-in for purpose-built rental will be reviewed in the context of overall purpose-built rental supply, along with other market indicators.

5. Length of Affordability

The Planning Act and Inclusionary Zoning regulation require municipal Official Plans and Zoning by-laws to include the period of time for which affordable housing units would be maintained as affordable. The OPA and ZBLA require affordable units created through Inclusionary Zoning to remain affordable for 99 years, commencing from the date the affordable housing unit is first occupied.

A 25 year affordability period was initially consulted on as part of the proposed policy directions. Throughout consultations undertaken in 2019, the vast majority of feedback identified a long-term affordability period as a top priority for Inclusionary Zoning and stated that 25 years was not long enough to ensure a sustainable stock of affordable units. Many housing stakeholders and members of the public strongly supported a 99 year or permanent affordability period, given there will be continued need for affordable housing over time. Industry stakeholders recommended an affordability period tied to the lifecycle of a building.

Experience from other jurisdictions who have implemented Inclusionary Zoning has also supported a longer affordability term, with most generally ranging between 30-99 years. A scan¹ of about 600 Inclusionary Zoning programs in the U.S. found that only 2-4% of programs set the affordability period based on the life of the building and about one in ten programs require affordability in perpetuity. The importance of a longer term affordability period was also echoed by municipal representatives from New York City and Boston, who spoke at City's speaker's event in November 2019.

The HousingTO Action Plan includes an action to implement Inclusionary Zoning to ensure affordability is provided long-term. The updated Financial Impact Analysis tested

¹ Wang and Balachandran, 2021 https://groundedsolutions.org/sites/default/files/2021-01/Inclusionary_Housing_US_v1_0.pdf

a 99 year affordability period and confirmed that securing affordable housing units for a 99 year period could continue to support development viability.

6. Depth of Affordability

The Planning Act and Inclusionary Zoning regulation require municipal Official Plans to include the range of household incomes for which affordable housing units would be provided and how the price or rent of affordable housing units would be determined. Municipal zoning by-laws may also require that when the affordable units are sold or leased, they be sold at the price or leased at the rent determined under the by-law.

The OPA and ZBLA propose that Inclusionary Zoning units would be secured at affordable rents or affordable ownership prices. Affordable rents and prices would be determined based on the proposed new definitions in the City's Official Plan. These definitions are mirrored in the ZBLA.

Some jurisdictions, such as New York City, offer a menu of options for delivering affordable housing units at different levels of affordability. However, the majority of Inclusionary Zoning programs in U.S. jurisdictions target a single income by setting either a maximum income level or an income range.

The definition of Affordable Rental Housing included in the ZBLA is consistent with direction in the Provincial Policy Statement on how to set affordable rental housing by applying what is least expensive, either average market rent by bedroom type for the City of Toronto or which is affordable to low and moderate income households. In order to tie unit types to the needs of low and moderate income households, studio rents are based on the 50th percentile of income for 1-person renter households and one-, two-, and three-bedroom units are based on the 60th percentile of income for 1-, 2-, and 3-person renter households respectively. These incomes would be used to establish rents on an annual basis. Households renting an Inclusionary Zoning unit would need to have an eligible income, based on no more than 4 times the annual rent, in order to qualify for the unit, however their rent would not be geared to their income.

By way of illustration, for 2021, the definition would set affordable rents and the corresponding incomes served (based on a household paying no more than 30% of their income on rent) as the following:

Unit Type	Minimum Household Size (based on City Occupancy Standards)	Affordable Rent Limit and Income Served
Studio	1-person	\$812 \$32,486
One-Bedroom	1-person	\$1,090 \$43,600
Two-Bedroom	2-person	\$1,661 \$66,440

Unit Type	Minimum Household Size (based on City Occupancy Standards)	Affordable Rent Limit and Income Served
Three-Bedroom	3-person	\$1,858 \$74,301

The definition of Affordable Ownership Housing similarly uses an income based approach to set affordable home prices. Prices would be determined on an annual basis based on household incomes for low and moderate households (based on both renters and owners). In order to tie prices to unit types, household incomes at the 30th percentile of income are used to set prices for studio units, the 40th percentile of income is used to set prices for one-bedroom units, the 50th percentile of income is used to set prices for two-bedroom units, and the 60th percentile of income is used to set prices for three-bedroom units. Prices are calculated based on these household incomes paying no more than 30% of before-tax income on a monthly shelter cost, inclusive of a mortgage principal and interest, mortgage insurance, property taxes and condominium fees.

For 2021, the definition would set maximum sale prices and the corresponding incomes served as the following:

Unit Type	Minimum Household Size (based on City Occupancy Standards)	Affordable Price Limit and Income Served
Studio	1-person	\$151,000 \$44,552
One-Bedroom	1-person	\$190,100 \$58,286
Two-Bedroom	2-person	\$242,600 \$73,628
Three-Bedroom	3-person	\$291,700 \$91,611

Where funding is available and approved by the City, the framework would allow financial incentives to be layered with Inclusionary Zoning to provide units to households in need of more deeply affordable housing or a greater number of Inclusionary Zoning units.

Where affordable rental housing is secured under Inclusionary Zoning, the rent for any tenant during the 99 year affordability period would not exceed the maximum affordable rent. Rent increases for sitting tenants of Inclusionary Zoning affordable rental units would be limited to the provincial Guideline increase on an annual basis for the duration of their tenancy.

The OPA outlines the approach for determining the maximum resale price of an affordable ownership unit sold within the 99 year affordability period, with additional details outlined in the Inclusionary Zoning Implementation Guidelines. When an affordable ownership unit is sold to a new purchaser during the 99 year affordability period, the maximum resale price would be determined based on the change in Consumer Price Index from the Month and Year of the first sale was entered into and the Month and Year of the resale date, plus any administration costs.

7. Development Size Threshold and Exemptions

The Provincial Inclusionary Zoning regulation requires municipal Official Plans to identify the minimum size of development to which an Inclusionary Zoning by-law applies, which cannot be less than 10 residential units.

The draft policy consulted on in 2020 proposed exemptions for developments containing less than 100 residential units and less than 8,000 square metres of residential gross floor area if located within the City's Downtown and Central Waterfront Secondary Plan areas and exemptions for developments containing less than 140 residential units and less than 10,000 square metres of residential gross floor area in all other Inclusionary Zoning areas. Public and housing stakeholder feedback from Phase 2 consultations recommended applying Inclusionary Zoning to smaller developments (i.e. developments proposing 60 or more new units). Stakeholders expressed concerns the thresholds were set too high, having two separate threshold levels was unclear, and could have the unintended consequence of encouraging lower-density development around transit stations.

The OPA and ZBLA outline that Inclusionary Zoning will not apply to development or redevelopment containing less than 100 residential units and less than 8,000 square metres of residential gross floor area (GFA). A development must be below both the residential unit and GFA thresholds to be exempt from Inclusionary Zoning requirements. For example, Inclusionary Zoning requirements would apply to a development proposing 8,500 square metres of residential GFA but only 99 residential units.

The proposed 100 unit threshold would build upon Secondary Plan housing policies, which require development containing more than 80 new residential units to include a minimum number of two-and three-bedroom units (e.g. Downtown Secondary Plan, Keele Finch Secondary Plan, Golden Mile Secondary Plan, Yonge Eglinton Secondary Plan). Once projects exceed the 100 unit threshold, affordable housing requirements would apply in addition to the unit mix requirements. The threshold of 100 units and 8,000 square metres would also reflect that Inclusionary Zoning would only be implemented in PMTSAs, in which many of the sites would be greater than 100 units based on the planned context and minimum densities.

The residential unit and GFA thresholds apply to proposed new residential units. Existing residential units or rental units required to be replaced in accordance with Policy 3.2.1.6 of the Official Plan (the City's rental replacement policy), would not count towards the unit and GFA thresholds. For example, a development proposing 100 residential units totalling 8,500 square metres of residential GFA, including 20 rental

replacement units totalling 1,500 square metres would not be subject to Inclusionary Zoning requirements.

Inclusionary Zoning requirements would not apply to development proposing 10 to 99 units and less than 8,000 squares metres.

8. Incentives

The provincial Inclusionary Zoning regulation requires municipal Official Plans to set out the approach for how measures and incentives would be determined. The OPA outlines that financial or regulatory incentives will not be provided by the City to meet the Inclusionary Zoning requirements, however incentives may be considered where a development proposes to exceed the Inclusionary Zoning policy requirements. For example, program incentives may be considered where a development is proposing to secure additional affordable units or deeper levels of affordability.

The draft Inclusionary Zoning Implementation Guidelines outline that the applicant is responsible for submitting an application to the City to request program incentives, for example through the Open Door Affordable Housing Program. The application must meet program guidelines and will be assessed against other eligible projects. The Guidelines also outline that affordable units would have a minimum parking rate of zero spaces to reflect that the units will all be located within walking distance of a transit station.

The affordable housing requirements have been calibrated to support development viability without the need for financial incentives, such as fee waivers, or additional density bonuses. In a 2021 scan of Inclusionary Zoning policies conducted by the Grounded Solutions Network, 29% of 670 programs studied did not offer any incentives. The Financial Impact Analysis concluded that an Inclusionary Zoning framework without incentives could be viable in stronger market areas where new developments are already optimizing height and density. In these stronger market areas, the impact of Inclusionary Zoning would be largely absorbed by reduced land values. As land values adjust, the need for incentives diminish, especially when a transition approach is considered.

This approach to incentives has been considered in light of the requirements for Inclusionary Zoning to be implemented only in PMTSAs. Ontario's approach for Inclusionary Zoning has been to tie affordable housing requirements to areas where significant public investments in transit infrastructure have been made and development density permissions have been updated to support transit. As PMTSAs are delineated, the City will be identifying new minimum densities for buildings and structures. This new minimum as-of-right density will dovetail with Inclusionary Zoning affordable housing requirements. Additionally, the City recently completed a number of studies that have increased residential density permissions across the City (e.g. Yonge Eglinton Secondary Plan, Downtown Secondary Plan). These increased density permissions were established in the context of creating complete communities, including providing for affordable housing. In addition, the City and the Province are allocating substantial funding for transit State of Good Repair and expansion, improving the ability to achieve market viability and support affordable housing across more areas of the City.

9. Range of Unit Types and Sizes

The Inclusionary Zoning regulation requires municipal Official Plans to include the range of housing types and sizes of units that would be authorized as affordable housing units. The OPA outlines that the unit mix of the affordable housing units created through Inclusionary Zoning will reflect the unit mix of the market component of the development, as appropriate, to achieve a balanced mix of unit types and sizes and support the creation of affordable housing suitable for families.

The City's Official Plan states that a full range of housing will be provided and maintained to meet the needs of current and future residents. Policy direction and guidance currently exists to promote family-sized units in market developments. For example, the Downtown Secondary Plan requires developments containing more than 80 residential units to include a minimum of 15% two-bedroom units, 10% three-bedroom units, and an additional 15% of units as some combination of two- and three-bedroom units or units that can be converted to two- and three-bedroom units through accessible or adaptable design measures. As well, the Council-adopted Growing Up: Planning for Children in New Vertical Communities urban design guidelines provide guidance that 10% of the total residential units should be three-bedroom units and 15% should be two-bedroom units.

Where a Secondary Plan requires the development to include a specific mix of two- and three-bedroom units, the Inclusionary Zoning units should also include the same breakdown of two- and three-bedroom units. This policy approach promotes the development of family-sized affordable housing units while also providing some flexibility for the units to meet specific needs where appropriate (e.g. affordable housing targeted to seniors would not need to include family-sized units).

In many jurisdictions where Inclusionary Zoning has been implemented, the policy approach has been to require the affordable housing units to be comparable in size and type to the market units in the development or meet specific requirements for family-sized units.

The draft Inclusionary Zoning Implementation Guidelines provide additional guidance on unit mix and sizes and design of the affordable units. The guidelines outline that for each unit type, the average size of the Inclusionary Zoning affordable units should not be less than the minimum average unit sizes outlined in the [Affordable Rental Housing Design Guidelines](#) and the average size of the market units. The guidelines also establish a target of 20% of the Inclusionary Zoning units in a development should be fully accessible, and new affordable units should include as many universal design features as possible to create housing that is suitable for everyone. Guidance also includes direction that the Inclusionary Zoning affordable units will be indistinguishable from the market units from the exterior and will be generally of the same quality and functionality as market units.

10. Providing Units on another Site

The Planning Act permits municipalities to allow some or all of the required affordable housing units to be located on another development site. The offsite units must be located in another area where Inclusionary Zoning applies and must be located in

proximity to the onsite market development. The provincial Inclusionary Zoning regulation requires municipal Official Plans to identify the conditions under which offsite units would be permitted and the circumstances in which an offsite unit would be considered to be in proximity to the market development. As well, any offsite units could not contribute to the offsite development's own Inclusionary Zoning requirement.

The intent for Toronto's Inclusionary Zoning framework is that affordable housing would be provided on-site to support the creation of mixed-income developments. However, the OPA provides flexibility for instances where the affordable housing would be best accommodated on another site. The OPA outlines that the affordable housing requirement may be provided on another site at the discretion of the City if it would provide for an improved housing outcome, the offsite units will be ready and available for occupancy commensurate with completion of the onsite market residential units, and the offsite units will be located in proximity to the market development. An improved housing outcome could include providing additional affordable units, larger family-sized units or providing more deeply affordable units. A development will be considered to be in proximity if it is located within a PMTSA and within the same Inclusionary Zoning market area category as the primary development. For example, a development located in Inclusionary Zoning Market Area 1 (e.g. Downtown) cannot propose locating the affordable housing units offsite in Inclusionary Zoning Market Area 3 (e.g. Scarborough Centre). The OPA would ensure offsite units are located in transit-accessible areas and secure their timely delivery in comparison to the market units.

The ZBLA does not account for the affordable housing units to be located on another site. Accordingly, a development would need to submit a site-specific zoning by-law amendment for Council's adoption in order to meet its affordable housing requirement offsite. This process will allow for continued monitoring for how offsite units are being applied in practice to ensure the policy goal of creating mixed income communities is not jeopardized.

11. Agreements

The Planning Act requires the owner of any lands, buildings or structures subject to an Inclusionary Zoning by-law to enter into agreements with the City ensuring compliance with the Inclusionary Zoning requirements.

Both the OPA and ZBLA require these Section 35.2 agreements to be registered on title to secure the Inclusionary Zoning obligations over the 99 year affordability period. Since the agreements will be registered on title, subsequent owners of the development or purchasers of Inclusionary Zoning ownership units would be bound by the terms of the agreements. Building permits for the development will not be issued before the s.35.2 agreement is registered.

The OPA outlines matters that would be secured through the s.35.2 agreements. This includes requirements for the timely delivery of the affordable housing units and any phasing of the units, requirements for ensuring the affordable units are provided to eligible households, an approach for determining the maximum resale price of an affordable ownership unit based on Consumer Price Index increases and requirements for ongoing administration, reporting and monitoring to ensure the affordable units

remain affordable over time. The agreements will also ensure the appropriate amount of affordable housing is secured should a development propose a change in tenure (e.g. a purpose-built rental development is initially proposed but the owner decides to register the development as a condominium at a later date). These matters form the basis of the City's approach for the procedure to monitor and ensure the required affordable housing remains affordable for the 99 year term. Additional direction is outlined in the draft Implementation Guidelines.

The OPA also identifies the approach to determine the net proceeds of the sale of an affordable ownership unit and a requirement for this approach to be included in the s.35.2 agreements. For the resale of an affordable ownership unit during the 99 year term, the City would receive no more than 20% of the net proceeds of the sale, being the difference between the purchase price paid by the owner and the resale price, and equivalent to no more than 2% of the sale price. The City's portion of net proceeds would be directed to administration fees. The OPA also provides direction for the sharing of the net proceeds of the first sale of an affordable ownership unit after the 99 year period expires. Since the unit could be resold at market prices after the 99 year term, there is potential for the last owner to benefit from a windfall profit. To ensure an equitable approach, the OPA outlines that the City would receive 50% of the net proceeds, being the difference between the affordable purchase price and the market resale price less any legal, administration or real estate fees paid by the owner. The City's proceeds would then be reinvested in affordable housing.

12. Transition

The provincial Inclusionary Zoning regulation includes transition provisions, including exemptions for development:

- where an application for an Official Plan amendment, if required, and a Zoning by-law amendment were made prior to the date that City Council adopts the Inclusionary Zoning Official Plan amendment provided that an application has also been made for approval of a plan of subdivision or condominium approval; or
- where an application for site plan approval or a building permit has been made for the subject site prior to the date that an Inclusionary Zoning by-law is adopted by City Council.

The provincial regulation references Section 41 of the Planning Act, which addresses Site Plan control matters for municipalities, with the exception of the City of Toronto. While the regulation does not specifically reference Section 114 of the City of Toronto Act, which deals with Site Plan control matters for the City, the proposed transition provisions will treat applications for site plan control approval under Section 114 of the City of Toronto Act as meeting the transition policies.

Many stakeholders felt the City should establish a longer transition period than the one outlined in the provincial regulation. NBLC also recommended a clear transition period to allow time for markets and land prices to adjust and to allow sites in pre-development or application review stages to advance. The draft by-law previously outlined January 1, 2022 as the in force date for Inclusionary Zoning. Throughout stakeholder consultations, industry members advised this would not provide for an appropriate transition period for

developments already in the pipeline and recommended a transition period at least 1 year after approval of the Inclusionary Zoning policy.

The OPA and ZBLA build on the provincial transition requirements to provide a longer transition to Inclusionary Zoning implementation. A transition date of September 18, 2022 has been recommended in order to align with implementation of a community benefits charge by-law. The date that Inclusionary Zoning requirements come into effect will vary based on when individual PMTSAs are approved by the Minister.

During the transition period, development would be exempt from Inclusionary Zoning requirements under the following circumstances:

- where 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 a community benefits package was registered on or before September 18, 2022;
- where complete applications for a zoning by-law amendment and site plan are made on or before September 18, 2022;
- where a complete application for a minor variance is made on or before September 18, 2022; and
- where a complete application for a building permit is made on or before September 18, 2022.

Comparison to Other Jurisdictions

While Inclusionary Zoning has been implemented in hundreds of jurisdictions across North America, no two cities implement the same Inclusionary Zoning policy. Each jurisdiction tailors their Inclusionary Zoning framework based on local housing needs and market conditions, often informed by a financial feasibility analysis. However, jurisdictional scans reveal some trends for Inclusionary Zoning policies. A 2021 scan of over 600 jurisdictions with inclusionary housing programs in the United States found that:

- 55% of programs have set aside rates between 10-19% of housing units
 - 37% of programs vary the set aside rate depending on depth of affordability, geographic location, tenure or other factors
- 29% do not provide incentives
 - density bonusing is the most common offset when incentives are provided
- 93% secure an affordability term of at least 30 years
 - 10% secure permanent affordability requirements
 - 2% of ownership programs and 4% of rental programs require units to remain affordable for the life of the building
- Most programs (61-64%) set a maximum income level or income range for the affordable units
 - About one quarter of programs require affordable units to be created across multiple income groups
 - About one quarter of programs provide options for developers to serve lower incomes through lower set aside rates or incentives

Comparing set aside rates from one Inclusionary Zoning framework to another cannot be made without also considering the depth of affordability, affordability term, incentives, delivery options, and other municipal development fees and charges. We know from other jurisdictions and our consultant analysis that a balance must be considered between securing more affordable units and other factors like offsets, affordable rents and prices, and how long units remain affordable.

For example, Montreal's By-law for a diverse Metropolis, which came into force on April 1, 2021, requires developments in certain areas of the city to set aside a 20% contribution for social housing and 10-20% for affordable housing. The construction of the social housing requirement is subsidized by the City or Government of Quebec and 'affordable' is defined as 10% below market rent or price, as established by an appraiser. In addition to the market-based definition of affordable and incentives to build social housing, the by-law offers delivery options resulting in a range of affordability terms. Some options include no resale restrictions for affordable ownership units while others require a minimum affordability term of 30 years. The 10-20% affordable housing requirement applies to projects only in areas where the official plan has been amended to increase allowable residential density and can be delivered through on-site units, off-site units, cash-in-lieu or transferring an existing affordable rental building to the City to be owned and operated by a non-profit.

Jurisdictions like Montreal and New York City have developed mandatory Inclusionary Zoning requirements after years of implementing incentive-based programs. For example, New York City introduced its Mandatory Inclusionary Housing policy in 2016 after 11 years of implementing a voluntary program. The mandatory policy requires 20-30% of a development to be permanently affordable depending on the household incomes targeted. It applies to areas of the city that are rezoned to allow for more residential development or to private applications where an increase in density is proposed. The targeted incomes range from an average of 60% to 80% of area median income (AMI), with options to target an average of 40% or 115% of AMI. In 2021, 60% AMI is \$64,440 (approx. \$82,000 CAD) and 80% of AMI is \$85,920 (approximately \$109,000 CAD) for a family of three, with rents ranging from \$1,437 to \$1,974 for a two-bedroom unit (\$1820 - \$2,500 CAD).

Vancouver requires at least 20% of new residential floor space to be provided as social housing in exchange for additional density, with a priority to secure unencumbered dirt sites or an air space parcel delivered turnkey to the City. The Inclusionary Zoning requirements apply to large sites (over 2 acres or 45,000 square metres of new development floor area) and in various Community Plan areas (e.g. Downtown East Side, West End, Cambie Corridor). The social housing is typically leased to non-profit housing operators for 60 years and targets households earning \$30,000 to \$80,000 per year. City and senior government funding is leveraged to deliver social housing and deepen affordability. Jurisdictions, like New York, Montreal and Vancouver, that provide density bonuses, or new density through updated planning frameworks, do so in the context of ensuring overall good planning and do not provide relief from other planning policies related to urban design.

Boston's Inclusionary Development Policy requires 13% of units in a development to be set aside as affordable for 40 years without any public subsidy. It applies to

developments requiring zoning relief and targets rental households earning up to 70% of AMI and ownership households earning 80% and 100% of AMI. In 2021, an affordable two-bedroom unit could be rented at \$1,597 USD (or approx. \$2,020). The policy was initially introduced in 2000 with a 10% set aside rate, revised in 2003 to increase the set side to 15%, and reviewed in 2015 to lower the on-site set aside rate to 13% based on the results of a financial feasibility study.

Some jurisdictions gradually phase in set aside rates over a 5-10 year period. For example, San Francisco's Inclusionary Affordable Housing Program initially introduced a 12% requirement in 2002 and established new requirements, to be gradually increased by 0.5% to 1% per year beginning in 2018. By 2028, the set aside requirements for delivery of on-site affordable units will range from 15% to 26% of all housing units, depending on project size and tenure.

A jurisdictional scan is included as Attachment 10.

Implementation Guidelines

Draft Implementation Guidelines have been prepared alongside the Official Plan Amendment and Zoning By-law in order to help guide implementation, provide clear direction and expectations to land developers and members of the public and provide clarity on roles and responsibilities for the administration of affordable housing. Development of the draft Guidelines was undertaken in consultation with an inter-divisional staff working group and based on feedback from stakeholder consultations with the development industry, housing advocates, affordable ownership housing providers and people with lived experience. Further consultation and review will be undertaken in 2022 in order to finalize the Guidelines prior to the IZ transition date.

Two key objectives were identified in the development of the Guidelines. Firstly, that affordable housing units secured through Inclusionary Zoning align with the administration of other affordable housing units secured through programs like Open Door and Housing Now. This will ensure consistency in the ongoing administration of affordable housing, as well as ensure households in need of affordable housing are able to access all affordable housing units, including affordable rental units secured through Inclusionary Zoning, through a one-window housing portal. Secondly, that the Guidelines provide information to land developers to assist with planning for the delivery of affordable housing in new developments. The Guidelines are intended to be updated should the City revise its practices and administration for the delivery of affordable housing.

The Guidelines address a number of different matters, including:

- ensuring that affordable units are physically integrated with market units with the goal of creating mixed-income vertical communities;
- identifying opportunities and considerations for non-profit involvement to manage or own the affordable housing;
- outlining expectations for the delivery of off-site affordable housing units;
- the use of a City-administered affordable housing access system for managing access, advertising and allocation of affordable rental housing units;

- the use of a third-party administrator for the administration of affordable ownership units; and
- rules related to rent increase limits and resale price escalation.

Conclusion

The recommended Inclusionary Zoning Official Plan Amendment, Zoning By-law Amendment, Implementation Guidelines bring forward a new and foundational affordable housing tool that will help to create inclusive, mixed-income communities.

The recommended Inclusionary Zoning framework is based on in-depth financial analysis and comprehensive stakeholder and public engagement. The framework establishes policy and zoning by-law requirements that prioritizes the ongoing viability of market housing supply, while ensuring affordable housing keeps pace with overall growth.

The City's affordable housing needs and HousingTO targets cannot be addressed by any one program or policy, rather a multi-pronged approach is critical to achieving meaningful housing solutions. The fully phased-in framework will require that by 2030 8-22% of new housing be affordable, coupled with requirements for a 99 year affordability period and rents and prices that reflect the incomes of low and moderate residents. This framework will help create a significant shift in the provision of affordable housing around transit stations across the city.

The Official Plan Amendment and Zoning By-law Amendment address requirements under the Planning Act and Ontario Regulation 232/18.

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ATTACHMENTS

- Attachment 1: Proposed Official Plan Amendment
- Attachment 2: Proposed Zoning By-law Amendment
- Attachment 3: Inclusionary Zoning Market Areas Map
- Attachment 4: Draft Inclusionary Zoning Implementation Guidelines
- Attachment 5: Housing Need and Demand Analysis, August 2021
- Attachment 6: Evaluation of Potential Impacts of an Inclusionary Zoning Policy, May 2021; Revised October 2021
- Attachment 7: Peer Review of NBLC "Evaluation of Potential Impacts of an Inclusionary Zoning Policy", August 2021
- Attachment 8: Phase 1 Consultation and Communication Summary, 2019
- Attachment 9: Phase 2 Consultation and Communication Summary, 2021
- Attachment 10: Jurisdictional Scan, 2021