

City of Mississauga

Corporate Report



Date: December 23, 2021

To: Chair and Members of Planning and Development Committee

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

Originator's files:
CD.06-INC

Meeting date:
January 24, 2022

Subject

Inclusionary Zoning Update and Next Steps

Recommendation

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

Executive Summary

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

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

Background

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

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

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

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

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

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

Present Status

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

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

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

Task	Description	Status
Housing Needs Assessment	<p>O. Reg. 232/18 requires an analysis of:</p> <ul style="list-style-type: none"> • Demographics and household incomes • Housing supply by housing type currently / planned for in official plan • Housing types and sizes of units that may be needed to meet anticipated demand • Average price and rent for each housing type 	<p>Completed April, 2021¹</p> <p>Peel Region completed update to 2018 Region of Peel Housing Strategy, which addresses requirements.</p>
Market Feasibility Analysis	<p>O. Reg. 232/18 requires an analysis of potential impacts on housing market and on financial viability of development in the municipality from IZ, taking into account land value, construction costs, market price and rent, and housing demand and supply.</p>	<p>Completed by N. Barry Lyon Consultants (NBLC) December, 2021²</p>
Peer Review	<p>O. Reg. 232/18 requires a written opinion on the market feasibility analysis from a person independent of the municipality and who, in the opinion of the council of the municipality, is qualified to review the analysis.</p>	<p>City Council qualified urbanMetrics (Res. 0015-2021).</p> <p>Completed by urbanMetrics December, 2021³</p>

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

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

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

Comments

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

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

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

1. Draft IZ Policy Principles and Objectives:

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

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

2. Draft Preliminary MOP Policy Framework

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

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

Table 2: IZ Preliminary Policy Directions for Mississauga

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

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

Policy Area	Proposed Policy Direction	Rationale / Notes
Affordability Term	25 years or longer	Jurisdictional scan suggests longer affordability terms (35+ years) are sometimes used. Staff are closely considering affordability term and its relationship to administration of IZ units over time.
Exemptions	<ol style="list-style-type: none"> 1. Projects where non-profit housing provider has an interest that is > 51% and > 51% of units are affordable. 2. Projects with rezoning and / or OPA application(s) along with a subdivision or condominium application at the time the IZ OP policies are adopted. 3. Projects with a building permit or site plan application at the time the IZ By-law is passed. 	As per O.Reg. 232/18.
Transition and Phasing	<ul style="list-style-type: none"> • Staff are planning to bring final recommended IZ OP policies and IZ By-law to PDC in July 2022, with IZ By-law to take effect Fall-Winter 2022. • Set-aside rates are proposed to be phased in over time. 	<ul style="list-style-type: none"> • A transition period is recommended to allow industry to adjust to new IZ policy framework. The market feasibility analysis was made public in April 2021, giving landowners time to prepare for IZ. • The timely implementation of IZ is important as the City will soon lose ability to secure affordable housing through Sec. 37 Density Bonusing. • The phase-in period will be a key item of discussion during the consultation process.

Policy Area	Proposed Policy Direction	Rationale / Notes
Other Policy Considerations	<p>Staff are investigating the following policy options:</p> <ul style="list-style-type: none"> Suite-mix of affordable units should reflect suite-mix of market component of development. Reduced set-aside requirements for projects delivering deeper affordability and / or rental units. Permission to deliver IZ units offsite, provided certain criteria are met. Reduced set-aside requirements for mixed-use buildings/developments with large office components. 	<ul style="list-style-type: none"> To ensure a range of unit sizes. These policy options provide flexibility to how IZ requirements are met and could encourage rental units or low income units. Note: cash-in-lieu of IZ units is prohibited under the <i>Planning Act</i>. To encourage mixed-use buildings in PMTSAs.

Administrative Framework

There are four key elements of administering an IZ program:

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

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

Next Steps

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

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

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

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

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

Strategic Plan

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

Engagement and Consultation

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

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

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

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

Financial Impact

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

Conclusion

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

Attachments

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



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

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