

City of Mississauga Corporate Report



<p>Date: May 6, 2022</p> <p>To: Chair and Members of Planning and Development Committee</p>	<p>Originator's files: CD.06-INC</p>
<p>From: Andrew Whittemore, M.U.R.P., Commissioner of Planning & Building</p>	<p>Meeting date: May 30, 2022</p>

Subject

PUBLIC MEETING INFORMATION REPORT

Inclusionary Zoning for Affordable Housing – Draft Official Plan Amendment and Zoning Framework

Recommendation

That the report titled “Inclusionary Zoning for Affordable Housing – Draft Official Plan Amendment and Zoning Framework” dated, May 6, 2022, from the Commissioner of Planning and Building, and any submissions received at the public meeting held on May 30, 2022, be received for information.

Executive Summary

- As housing continues to be out of reach for many of Mississauga's households, it is important that the City of Mississauga and Region of Peel leverage available legislative tools such as Inclusionary Zoning (IZ) to protect and grow the affordable housing supply.
- On January 24, 2022, staff presented preliminary policy directions to Planning and Development Committee (PDC)¹. PDC directed staff to engage the public and stakeholders on the proposed policy directions and subsequently prepare draft official plan policies and a zoning framework.
- In February and March 2022, staff held community engagement events and meetings to explain the IZ policy directions and hear feedback from stakeholders, housing advocates, and the public. Staff have attempted to address issues raised.
- Staff will prepare the final recommended IZ Official Plan Amendment (OPA) and IZ By-

¹ Item 5.4: <https://pub-mississauga.escribemeetings.com/Meeting.aspx?Id=a8c18814-845c-4546-9241-3a329945f593&Agenda=Agenda&lang=English&Item=15&Tab=attachments>

law for approval in Summer 2022.

- IZ can be implemented where Major Transit Station Area (MTSA) policies are approved in the Region of Peel Official Plan and Mississauga Official Plan.² Provided MTSA approval has occurred, staff plan on requiring that new development applications will be subject to IZ starting in January 2023 through a phased approach.

Background

As market rental and ownership housing prices in Mississauga continue to be out of reach for many households, the City and Region need to employ all available tools to facilitate the creation of affordable housing units. The City has introduced a number of measures to protect and support affordable rental housing such as rental protection, demolition control, large site mixed housing policies and most recently financial offsets such as development charge grants and the upcoming Community Benefits Charge (CBC) to partially fund affordable housing initiatives.

Staff have also used the S.37 density bonusing provision of *Planning Act* to secure affordable ownership units or cash equivalents in recent years. As this regime shifts to CBCs, implementing IZ can help offset some of the lost S.37 housing opportunities.

IZ is proposed to target Mississauga's moderate-income households who are struggling to find market rental and ownership housing that they can afford, but earn too much to be eligible for community housing programs offered through the Region of Peel and other housing providers. IZ could also create units affordable to low-income households, but would likely require partnerships and funding / incentives to bridge the cost gap, and would be considered on an opportunity basis.

On January 24, 2022, staff presented the Planning and Development Committee (PDC) with an Update Report on the *Inclusionary Zoning for Affordable Housing Study* ("IZ Study"). The report confirmed that Regional and local staff have completed the background analysis required by legislation to implement IZ, described public and stakeholder feedback received to that point, and presented preliminary IZ local policy directions. PDC authorized staff to proceed with public consultation, prepare draft policies and zoning framework, and hold a statutory public meeting to consider these items.

What We Heard

Through consultation on the preliminary policy directions with the development industry, Building Industry Land Development Group (BILD), housing advocates, non-profit housing providers, and residents, several issues were raised.

² IZ may also be implemented in other areas as directed by the Province.

The development community and BILD identified:

- Transparency and clarification are needed regarding transition, exemptions, phasing up of IZ requirements over time.
- Expedited approvals and offsets (e.g. density bonusing, financial incentives) are requested to offset the cost of IZ.
- Concern that the market feasibility analysis is outdated and does not take recent and upcoming development cost increases into consideration.

Housing advocates identified:

- Questions about occupant eligibility and the process to access to units, including how households will be prioritized.
- The depth and duration of affordability could be expanded for IZ units.

General feedback identified:

- A desire for IZ to prioritize the creation of affordable rental units.
- There is a need for other forms of housing (e.g. co-op and rent-to-own housing, accessible units, and affordable ground-oriented family-sized units).

Comments

This report provides a draft OPA and zoning framework to implement IZ in Mississauga. The draft policies have been informed Region of Peel Housing Strategy (2021),³ the market feasibility analysis (December 2021 Revised)⁴ completed by N. Barry Lyon Consulting (NBLC), the peer review (December 2021)⁵ completed by urbanMetrics, and public and stakeholder feedback to date.

1. Ownership developments over 50 units or 3,600 square meters of residential area would be subject to IZ

Projects less than 50 ownership units and 3,600 square metres of gross floor area for residential purposes would not be subject to IZ. This would exempt smaller mid-rise developments. Only ownership developments would be subject to IZ, consistent with prior direction. Dedicated IZ units could be rental or ownership tenures.

2. Affordability thresholds have been updated to 2022 values

The IZ program would target middle income households described below in Table 1:

³ <https://pub-peelregion.escribemeetings.com/filestream.ashx?DocumentId=12969>

⁴ <https://www.peelregion.ca/officialplan/review/pdf/NBLC-IZ-Feasibility-Analysis-Dec-2021.pdf>

⁵ <https://www.peelregion.ca/officialplan/review/pdf/urbanMetrics-IZ-Assessment-Peer-Review-Dec-14-2021.pdf>

Table 1 – Proposed 2022 Unit Affordability Thresholds

	1-Bedroom Unit	2-Bedroom Unit	3-Bedroom Unit
Affordable Ownership Units			
Household Income Target	\$77,000 (Decile 4)	\$95,000 (Decile 5)	\$114,000 (Decile 6)
Maximum Purchase Price*	\$310,000	\$381,000	\$459,000
Affordable Rental Units			
Household Income Target	\$45,000 (Renter Decile 4)	\$55,000 (Renter Decile 5)	\$66,000 (Renter Decile 6)
Maximum Monthly Rent*	\$1,120	\$1,390	\$1,670

*Based on housing costs not exceeding 30% of household income.

A mix of both large and small units will be required with further specificity to be included in the implementation guidelines.

3. IZ market impact, transition, exemptions, incentives and phasing

In response to several issues raised by the development industry, staff offer the following clarity:

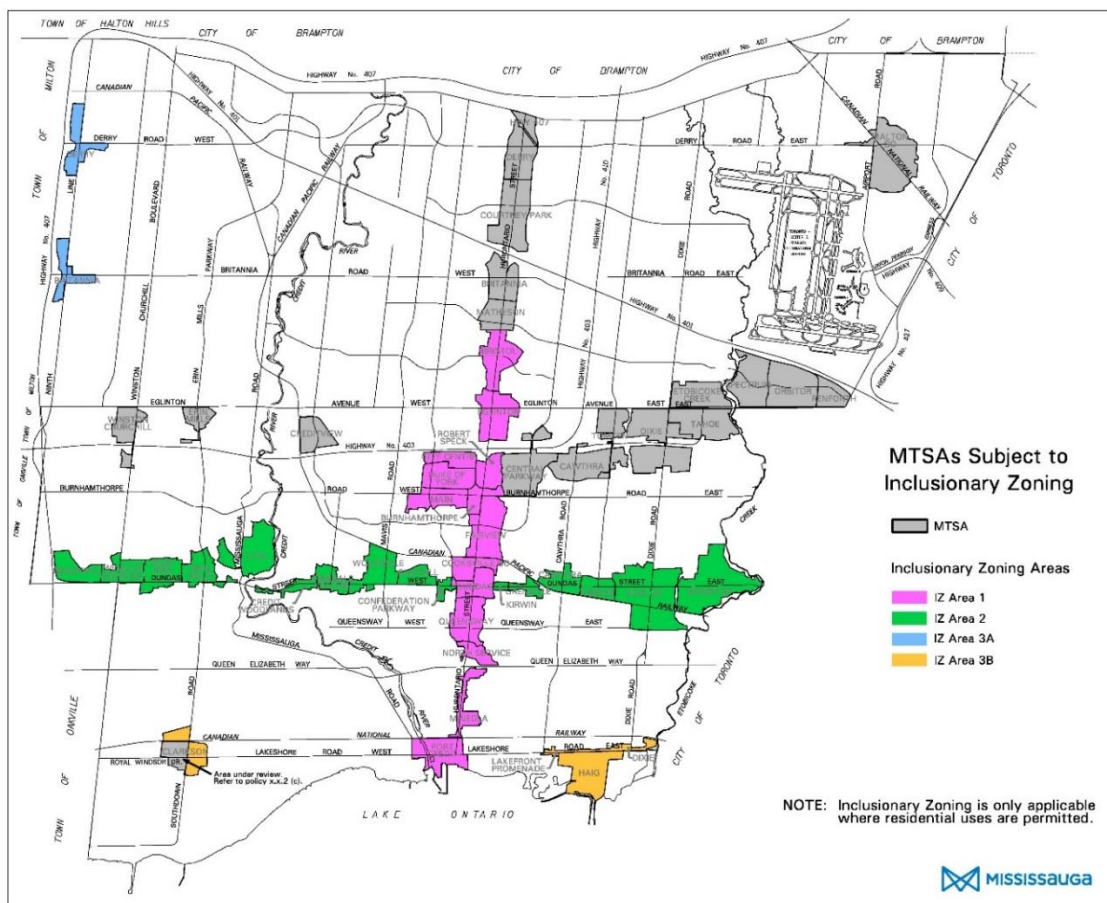
Locations and Set-aside Rates

The proposed set-aside rates and corresponding IZ areas are identified in Figure 1 and Table 2 below. To address concerns about market impact, the set-rates are proposed to be phased up over a 3 year period. A discount of 50% is proposed for developers providing affordable rental units in condominium projects.

Two signalling policies are included for the following scenarios:

- Lands within Clarkson GO MTSA that are currently under study for potential Employment Land conversions are flagged with a potential future IZ requirement of 10%, should conversions occur. The higher set-aside rate reflects the uplift resulting from the granting of new land use permissions.
- Lands within MTSAs where IZ requirements are currently not proposed may be subject to IZ in the future.

The policies provide advance notice to developers to prepare for future IZ requirements. The rates may be changed through future market analyses and amendments to official plan policies and zoning provisions.

Figure 1 – Draft Mississauga Official Plan Map identifying Inclusionary Zoning Areas⁶**Table 2 – Phase-in Schedule for Minimum Required Percentage of Residential Gross Floor Area in Ownership Projects to be Affordable Housing***

Market Area	Tenure of Affordable Housing Units	Applies January 1, 2023 to December 31, 2023	Applies January 1, 2024 to December 31, 2024	Applies January 1, 2025
IZ Area 1	Ownership	4%	7%	10%
	Rental	2%	3.5%	5%
IZ Area 2	Ownership	3%	5%	7%
	Rental	1.5%	2.5%	3.5%
IZ Area 3A and IZ Area 3B	Ownership	3%	4%	5%
	Rental	1.5%	2%	2.5%

*Note – requirements will only take effect when MTSAs are approved by the Province and Region.

⁶ Please refer to Appendix 1 for a larger scale map. Draft MTSA delineations are available on the MTSA dashboard: <https://mississauga.maps.arcgis.com/apps/dashboards/dc8aa0db74ef49949e76a3330fe77016>

Off-site Unit Delivery is Permitted

The *Planning Act* enables municipalities to establish criteria for the provision of offsite IZ contributions, provided offsite units are located in proximity to the development giving rise to affordable housing requirement, and the land on which the offsite units are situated shall also fall within an area subject to IZ. Staff propose to focus the off-site delivery of IZ units to situations where an improved housing outcome is achieved (i.e. affordable units required in a condominium building could be delivered in adjacent rental building). Off-site delivery should not be used as a mechanism to defer IZ obligations.

Incentives

Direct municipal financial incentives are not proposed for IZ units. The analysis completed by NBLC established the feasibility of development under an IZ framework in sub-market areas under the most onerous conditions (i.e. no financial incentives).

While financial incentives are not offered, staff recommend a phased approach to implement IZ. Additionally, a reduction of the required parking rates for IZ units will be provided. Parking rates in Precinct 1 are reduced by 50% from required rates, and in Precinct 2, 3, and 4 are reduced by 30%.⁷

Statutory Transition and Additional Transition Period before Effective Date

Staff are targeting a Summer 2022 PDC meeting and subsequent Council meeting for adoption of the final OPA and IZ By-law. The statutory exemptions require that the following scenarios are exempt from IZ:

- A site plan application or building permit application received on or before the date of passing of the IZ By-law; or
- A rezoning application along with a plan of subdivision application or plan of condominium application received on or before the date of adoption of the IZ OPA.

The IZ OPA and By-law will also set out a future date when the IZ requirements will come into effect, which is the later of January 1, 2023 or the date MTSAs are approved (by Province and Region). The following scenarios will be exempt from IZ if received prior to this date:

- A complete application for a site plan or building permit; or,
- A complete application for a rezoning or lifting of an “H” holding provision, provided that a complete application for a site plan approval is received within two years of complete application date of the rezoning or “H” lifting application.

Exemptions from IZ

The draft policies and by-law contain the following exemptions:

⁷ As per Council adopted recommended rates in Off-Street Parking Regulations Study, Item 5.5 here: <https://pub-mississauga.escrimemeetings.com/Meeting.aspx?Id=e950f3a0-c977-426e-8bcb-7e9df8f9be9e&Agenda=Agenda&lang=English&Item=11&Tab=attachments>

- Purpose-built rental housing projects;
- Student / staff residence, retirement building, hospice, long-term care building, group home;
- Region of Peel / Peel Living projects;
- Projects where a non-profit housing provider has an interest that is greater than 51 percent and a minimum of 51 percent of units are affordable;
- Projects where a non-profit housing provider has an interest that is 100 percent; and,
- Projects where developer has an existing housing agreement with the City.

4. Maintaining Affordability Over Time (Term, Price / Rent Capping, and Net Proceeds)

The Provincial regulations require that a minimum affordability period is established. The municipality may cap the unit price / rent and may receive a share of net proceeds of any sale of IZ units, up to 50% of net proceeds. "Net proceeds" is not defined in the regulations.

- Rental: For developers providing rental IZ units within a condominium building, the rents would be capped at the affordable rate, subject to allowable increases (e.g. inflation), for a minimum 25 year affordability period.
- Ownership: City staff are currently working with the Region on a preferred ownership administration. There are two models currently under consideration, as outlined in Table 3 below. Accompanying Figures 2 and 3 illustrate the two Methods.

Table 3 – Two Methods to Secure Affordability in Affordable Ownership Units

	Method 1: Capped Resale Prices	Method 2: Uncapped Resale Prices
Goal	Maintain unit as affordable for long period of time.	Generate municipal proceeds earlier to reinvest in other affordable housing initiatives e.g. incentive programs for affordable rental housing.
Affordability Period	Minimum 50 years.	Minimum 2 years.
Net Proceeds Means	During affordability period: difference between the capped resale price and the purchase price paid by the owner. First resale after affordability period concludes: difference between the market sale price and the purchase price paid by the owner, less any legal and closing fees.	Market sale price of the unit minus any legal, administrative, and closing fees.

	Method 1: Capped Resale Prices	Method 2: Uncapped Resale Prices
Description	<p>The resale price is capped, subject to annual increases tied to a metric such as the consumer price index (CPI). Within the affordability period, each time a unit is sold, the municipality takes a share of proceeds to cover administrative costs of the transaction (e.g. Toronto will take 2% of the sale price, up to no more 20% of the net proceeds).</p> <p>After the affordability period lapses, the municipality captures up to 50% of the net proceeds between the last affordable sale and the market sale of the unit.</p>	<p>The unit is capped for the first purchaser. During the affordability period, the unit is subject to restrictions and cannot be sold.</p> <p>After the affordability period expires, the first purchaser may sell the unit on the open market at an uncapped price. The municipality takes a percentage of the net proceeds that is equivalent to the difference between the original appraised market value of the unit and the original purchase price, expressed as a percentage of the original appraised value of the unit. The percentage cannot be more than 50% of the net proceeds.</p>
Advantages	<ul style="list-style-type: none"> • Unit remains affordable for a long period of time. • Security of ownership tenure is prioritized. Long-term ownership is encouraged. • Consistent with comparative practices. 	<ul style="list-style-type: none"> • Municipal share of capital captured early. • Funds can be reinvested to address changing local needs. • Expect reduced administration. • First owner receives a share of the appreciation.
Concerns	<ul style="list-style-type: none"> • Requires significant administration until sale of the IZ unit after the affordability period. • Largest share of appreciation would accrue to the last owner. • Earlier owners would not accrue significant equity. 	<ul style="list-style-type: none"> • Affordability of the IZ units is not guaranteed over the long-term. • May be a lag with reinvesting the funds. • First buyer benefits from potential appreciation, although it is shared proportionally with municipality.

Figure 2: Capped Resale Price illustration (Method 1)

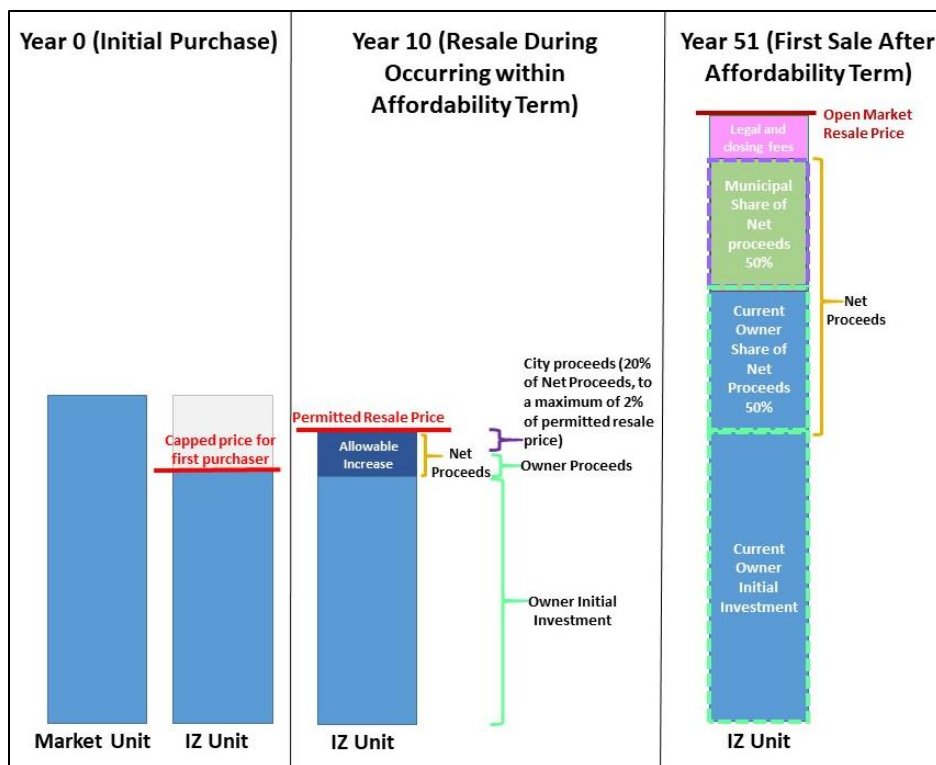
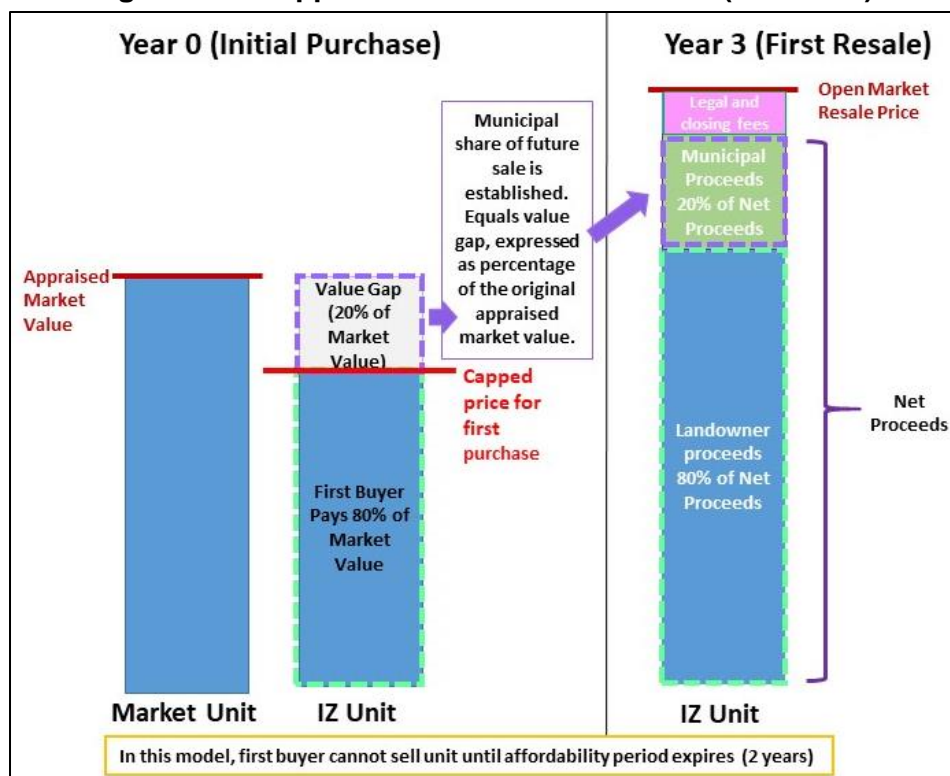


Figure 3: Uncapped Resale Price Illustration (Method 2)



5. Draft OPA and Zoning Framework

The IZ legislation specifies what is required to be included in IZ official plan policies and zoning provisions, including the administration of such units. The Draft OPA and zoning framework are attached for consideration as Appendix 1 and 2, respectively.

6. Administration

Local and Regional staff continue to work collaboratively to plan for the administration of IZ units. At its meeting on May 12, 2022, Regional Council approved a report titled “Administering Affordable Housing Units Secured by Local Municipalities Through Inclusionary Zoning and Other Mechanisms” from Sean Baird, Commissioner of Human Services. The report outlined a role for the Region to serve as an administrator who manages a system of access to affordable housing units secured by the local municipalities, and sought permission to establish a temporary staff working group to undertake program design. Through this work, staff will establish IZ program parameters and implementation guidelines, including the application process and applicant prioritization based on particular areas of need.

Strategic Plan

Housing affordability stems 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” connects to the work on the City’s Housing Strategy, including IZ implementation.

Engagement and Consultation

Three engagement sessions were held, with a combined total of over 100 attendees, to gather feedback on the proposed IZ policy framework:

- Community Meeting (February 24, 2022)
- Development Industry Roundtable (March 8, 2022)
- Housing Advocates Roundtable (March 10, 2022)

An online survey was launched on February 24, 2022 as an alternative option to provide feedback. Detailed feedback summaries of the sessions and survey are available on the project website⁸.

On March 29, 2022, staff met with 33 BILD members to present the proposed policy directions, respond to questions and hear ideas.

⁸ <https://yoursay.mississauga.ca/inclusionary-zoning-policy-for-affordable-housing>

Staff have previously met with BILD on two occasions and 14 community organizations (28 participants) prior to the preparation of the preliminary policy directions. A summary of this engagement is outlined in the January 24, 2022 Update Report.

Financial Impact

There are no financial impacts resulting from the recommendations contained in this report. Implementation of an IZ policy will have future financial impacts for the City and 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 presenting draft IZ official plan policies and zoning framework for the purposes of gathering feedback at the statutory public meeting. The feedback will inform the preparation of the final IZ OPA and Zoning By-law Amendment, which are targeted for approval in Summer 2022.

IZ is anticipated to come into effect in January 2023, assuming Regional MTSA policies and local MTSA policies have been approved. The implementation of IZ is estimated to help house a minimum of 100 Mississauga households per year, which underscores the importance of the City and Region leveraging this important tool to increase the affordable housing supply, promote socio-economic inclusion, support our workforce, and create complete communities.

Attachments

Appendix 1: Draft Inclusionary Zoning Mississauga Official Plan Amendment

Appendix 2: Summary of Draft Zoning By-law Measures to Implement Inclusionary Zoning



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

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