



ONTARIO NON-PROFIT
HOUSING ASSOCIATION

Provincial Planning Policy Branch
Ministry of Municipal Affairs and Housing
777 Bay Street, 13th Floor
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RE: Provincial consultations on inclusionary zoning (Bill 204)

Thank you for the opportunity to provide feedback on the proposed Promoting Affordable Housing Act, 2016 (Bill 204). We applaud the provincial government's decision to develop legislation that will enable municipalities to implement inclusionary zoning policies that help them to achieve their affordable housing objectives. Through partnerships between the provincial and municipal governments and private and community sectors, inclusionary zoning policies can be an effective tool to develop housing for low and moderate income Ontarians.

We have reviewed the proposed legislation and consultation guide and offer the following recommendations.

1. Provide municipalities with ample discretion

There is great diversity in Ontario's real estate markets and between municipalities. Crafting inclusionary zoning policies that reflect the types of development taking place across the province and that consider the resources and priorities of local councils will require a municipality-by-municipality approach.

We recommend municipal discretion on issues such as the depth of affordability and affordability targets, unit set asides, thresholds, incentives, and minimum requirements for units developed through inclusionary zoning policies. Local housing and homelessness plans have been developed to guide municipal priorities on affordable housing investment and local governments are in the best position to determine when and how to implement inclusionary zoning policies. They are also in the best position determine who in their community needs access to affordable housing and the type and size of housing that is required.



While we recommend municipalities be given discretion to implement inclusionary zoning policies that support their local priorities, there are some places where clear provincial standards are appropriate, particularly on the issue of affordability.

2. Affordability

We anticipate that municipalities will face pressure to reduce affordability periods for units developed through inclusionary zoning. We also know that Ontario is facing an affordable housing crisis that affects not only households living in poverty, but also working and middle income households in many communities.

We encourage provincial direction on affordability periods and recommend a minimum affordability period of 20 years for affordable homeownership units. This recommendation supports the acquisition of assets and equity for low-and-moderate income households and helps them to achieve self-sufficiency while, at the same time, ensure a modest pool of affordable ownership units in the community. It is also consistent with the requirements of the Investment in Affordable Housing Program.

In contrast, we recommend that rental housing developed through inclusionary zoning policies be affordable in perpetuity, recognizing the sizeable lack of rental units in the province and strong demand in many communities.

3. Support strong policy-making

While we recommend municipal discretion in the development and implementation of inclusionary zoning policies, we believe the provincial government has an important role to play in encouraging strong policy-making by local governments. Research and recommendations on topics such as the types and use of accountability agreements and incentives would support municipal housing and planning departments' development of effective and responsive policies.

We also recommend that the provincial government specify a common measure for affordability that is responsive to Ontarian's income and not rapidly rising real estate markets. A measure such as Area Median Income, which is commonly used in the United States, is sensitive local housing costs, household size and earned income. While the development of data for such a measure would require action by the provincial government, a responsive and shared measure would help municipalities reach target households more easily and enable future evaluation on the efficacy of inclusionary zoning policies in the province.



4. Provincial incentives are also required

Inclusionary zoning policies can create a modest number of housing units that are somewhat more affordable than similar units in the development or broader community. Municipalities may choose to incent the creation of units or improve the level of affordability by waiving or offsetting costs or relaxing local requirements. Even with these decisions, the level of affordability achieved is modest.

We encourage the provincial government to explore ways that it can help municipalities and their development partners to achieve greater affordability. Waiving provincial land transfer taxes or the provincial portion of the HST for units or developments that achieve a targeted, deeper level of affordability would support the development of more affordable units which are desperately needed. As of December 31, 2015, more than 171,000 households were waiting for deeply-affordable, rent-geared-to-income housing in Ontario. It will take concerted effort and financial investments by all levels of government to meet the surging demand for affordable housing.

5. Section 37 of the *Planning Act*, 1990

The proposed bill would prohibit municipalities from seeking community benefits under Section 37 of the *Planning Act*, 1990 in areas where inclusionary zoning policies are in effect. We do not support this proposal and recommend removing the prohibition.

As noted, we believe that municipalities will require flexibility to maximize the opportunities that inclusionary zoning policies may yield. They are also the order of government that is in the best position to know what their communities need and are most familiar with the nuances of their real estate markets. Currently, out-of-date zoning in many municipalities couple up-zoning and re-zoning sites with community benefits secured under Section 37 of the Act, but this will not always be the case. As zoning is modernized and inclusionary zoning policies are implemented, the role of inclusionary zoning as a land use planning tool will become more clearly separated from the negotiation that takes place between municipalities and developers through the Section 37 process. In time, inclusionary zoning requirements will be reflected in the cost of land, and enabling municipalities to combine inclusionary zoning policies and Section 37 of the Act will allow municipalities to test local markets and maximize public benefits. Ultimately, if a municipality's inclusionary zoning policies prove onerous and preclude development, the municipality can, at its discretion, modify its policies or provide incentives.



6. Cash in lieu of units

The Bill currently prevents municipalities from accepting cash in lieu of units as part of its inclusionary housing policy. While we applaud the sentiment behind this decision and agree that municipalities should aspire to create diverse communities, we believe it severely limits municipalities' ability to create affordable housing. Given the diversity of development projects underway in Ontario, cash in lieu of units is an important option for municipalities.

Cash in lieu allows municipalities to set lower thresholds for their inclusionary zoning policies. In small developments, it may not be possible to capture one or more units and cash in lieu allows the policy to be applied more equitably over a greater range of developments. Cash in lieu can also give the municipality the option of declining units that do not meet the needs identified in the housing and homelessness plans. Luxury developments and some suburban developments may not be desirable sources of inclusionary housing units because of the on-going costs of maintenance or their location relative to the needs of people earning a low or moderate income, such as access to amenities like transit, grocery stores or employment.

Most units created through inclusionary zoning policies are the same form of tenure as the development in which they were created. In Ontario, this means that the majority of units created through inclusionary zoning policies will be homeownership. While this is valuable, we believe that there is a much greater need for affordable rental housing. Enabling municipalities to accept cash in lieu would allow them to finance or incent the development of much-needed affordable rental housing or to further leverage federal-provincial housing programs.

Once again, thank you for the opportunity to comment on this important piece of legislation. Ontario faces an affordable housing crisis that threatens the health and well-being of its citizens and communities. Any tool that increases the supply of affordable housing is welcome and necessary and we are pleased to see the Ontario Government take this vital step.

Sincerely,



Meg McCallum
President



Sharad Kerur
Executive Director