

Toronto advances Inclusionary Zoning policy despite cautions from industry



By Wayne Karl - November 01, 2021

The City of Toronto's Planning and Housing Committee has voted to advance the new Inclusionary Zoning policy that is intended to get more affordable housing built – but the homebuilding industry thinks it's a big mistake.

The committee, including Mayor John Tory, last week approved a staff report proposing an Inclusionary Zoning Official Plan amendment, Zoning Bylaw amendment and draft Implementation Guidelines. The proposed policy is one of the steps the City is taking to facilitate the creation of affordable rental and ownership housing in Toronto.

If adopted by City Council at the November meeting, Toronto will be the first city in Ontario to implement this tool, which will make it mandatory for certain developments to include affordable housing. Beginning in 2022, Inclusionary Zoning will secure five to 10 per cent of condominium developments as affordable housing, increasing to eight per cent to 22 per cent by

2030. The amount of affordable housing required would vary depending on the area of the city, with the highest requirements in the downtown.

Income-based definitions

Toronto's Inclusionary Zoning framework proposes foundational requirements for affordable housing in new development that will ensure affordability is maintained for 99 years. In the policy, rents and ownership prices would be based on proposed new income-based definitions of affordable housing, targeting households with an annual income of between \$32,486 and \$91,611.

“I’m proud to support our Inclusionary Zoning plan – the first of its kind in Ontario,” says Toronto Mayor John Tory. “This will get more affordable housing built in our city and the one-year review of the policy the committee supported today will ensure we strike the right balance. Moving ahead with comprehensive, equitable policies such as the proposed Inclusionary Zoning is the right move forward to ensure that our city supports its residents, builds inclusive communities and remains vibrant and strong. I’m pleased to see Toronto leading this shift in development in Ontario to ensure that affordable housing is consistently available, and that affordability is protected for the future.”

Builders and developers – the parties that would be responsible for delivering this housing – on the other hand, are less than impressed.

“We are disappointed with approach being taken by the City on Inclusionary Zoning,” Dave Wilkes, president and CEO of the Building Industry and Land Development Association (BILD), told NextHome. “The industry supports IZ when it is structured properly to protect new-home buyers from additional costs, however, the City of Toronto is unique in the jurisdictions in North America that use IZ in that it is not providing financial offsets to cover the incremental cost of building these affordable units.

Bad plan

“The City of Toronto’s current approach will transfer approximately \$67,000 to cost of a new condominium apartment, meaning that market purchasers will be subsidizing the cost of below market units, or will make some projects economically non-viable, further reducing housing supply in a very tight market. More affordable housing is a good idea; the City of Toronto’s approach is a bad plan.”

The Residential Construction Council of Ontario (RESCON) is even more blunt in its criticism of the policy.

“Toronto has a serious housing supply crisis,” RESCON President Richard Lyall told NextHome. “The IZ program as contemplated at best will likely be a zero-sum game. It is not going to add to the aggregate supply of housing overall. Rather, it will force developers and builders to apportion a percentage of units to be ‘affordable.’ (It is) a nice idea, were it not for

the fact the cost will be borne by other buyers/renters in any particular project. Those other buyer costs will go up. It will have a chilling effect on future projects and make some untenable. So, while some might pay less, others that may have barely qualified could be then be shut out. And the need for additional housing will not be achieved. The irony here is they may then simply move many from the list of qualified buyers to the list of ‘affordable’ home seekers.

No material impact

“The net result is this will not have materially impact the housing supply problem,” Lyall says.

The City says Inclusionary Zoning is already used in more than 800 jurisdictions in the U.S., Australia and Canada. While no two cities have the same Inclusionary Zoning policy, each one is tailored to the municipality's local housing market and needs. Toronto's proposed policy was developed based on detailed financial impact analysis, including a peer review, and input received through extensive consultation.

If passed, the policy would be closely monitored and reviewed after one year to allow for adjustments based on evolving market conditions and opportunities to expand its implementation to broader areas of the city.

The introduction of this policy tool represents a shift in how the City treats new developments. It will ensure affordable housing is incorporated in new developments on a consistent basis rather than being negotiated on a site-by-site basis, providing clarity for all parties from the very beginning. The policy proposes a balanced, forward-looking and equitable framework that will help the City achieve the HousingTO Action Plan target of approving 40,000 affordable rental homes and 4,000 new affordable ownership homes by 2030.

“Implementing the Inclusionary Zoning policy in Toronto will keep us on the road to our goal of creating 40,000 affordable homes by 2030,” says Deputy Mayor Ana Bailão, chair of the Planning and Housing Committee. “Having a consistent approach to affordable housing development will ensure that building inclusive, balanced communities that support our residents are top of mind in all new development plans.”