

Report to Planning and Environment Committee

To: Chair and Members
Planning & Environment Committee
From: Gregg Barrett, Director, City Planning and City Planner
Subject: Inclusionary Zoning Review: Terms of Reference
Date: January 18, 2021

Recommendation

That, on the recommendation of the Director, City Planning and City Planner, the following actions be taken with respect to the Inclusionary Zoning review:

- (a) The Terms of Reference for the Inclusionary Zoning Review, attached hereto as Appendix “A”, **BE RECEIVED**; and
- (b) Staff **BE DIRECTED** to complete steps necessary to prepare the Draft Assessment Report, consistent with Provincial requirements, noting that a draft Assessment Report will be brought before a future meeting of the Planning and Environment Committee for Council’s consideration.

Executive Summary

The purpose and effect of this report is to introduce the Terms of Reference for the initiation of the Inclusionary Zoning review. The Terms of Reference briefly define Inclusionary Zoning and establish the approach, timeline, and the steps required by the Province to introduce Inclusionary Zoning policies and by-laws.

Linkage to the Corporate Strategic Plan

The Inclusionary Zoning review is consistent with Council’s Strategic Plan 2019-2023. It is identified as a key action in the “Strengthening Our Community” Strategic Area of Focus, which includes an expected result to increase affordable and quality housing options by utilizing innovative regulations and investment to facilitate affordable housing development.

Analysis

1.0 Background Information

1.1 What is Inclusionary Zoning?

Inclusionary Zoning is a regulatory tool that the City of London may consider as a means of supporting the provision of affordable housing within new development, consistent with the objectives of the Housing Stability Action Plan and Homelessness Prevention and Housing policies of the *London Plan*.

In general, Inclusionary Zoning refers to zoning regulations that would require certain private development proposals for new residential units to include affordable housing units as part of those proposals. Inclusionary Zoning would also require the affordable units to be maintained as affordable for a period of time.

Inclusionary Zoning is not meant to replace publicly provided housing, nor is it a municipal incentive program with financial support. It may, however, be complementary to those other programs.

The London Plan defines “Affordable Housing”. If required, the definition of affordable housing for the purposes of Inclusionary Zoning may be refined through the preparation of an Assessment Report.

1.2 Provincial Legislation and Regulations

As part of the *Promoting Affordable Housing Act, 2016*, the Province provided a framework for municipalities to introduce Inclusionary Zoning into Official Plan policies and Zoning By-law regulations. The legislation allowed a municipality to include Inclusionary Zoning policies into its Official Plan, and then, if such enabling policies were approved by Council, a municipality could enact an Inclusionary Zoning By-law to implement its policies. Inclusionary Zoning was allowed to be applied city-wide.

In April 2018 the Province released O. Reg. 232/18, which provided further detail on the affordable housing need and financial viability assessments that must be prepared when considering adding Inclusionary Zoning policies into an Official Plan. Ontario Regulation 232/18 also defines exempted classes of buildings and identifies requirements of ongoing monitoring once an Inclusionary Zoning by-law is enacted.

Subsequently, the *More Homes, More Choice Act, 2019* (Bill 108), amended the Planning Act by adding conditions for where and when Inclusionary Zoning may be applied. Under Bill 108, Inclusionary Zoning may only be permitted in areas of a municipality that are designated as a “Protected Major Transit Station Area” (PMTSA) or where a Community Planning Permit System (CPPS) is in effect. To date there have been no new Ontario Regulations under the *Planning Act* to replace or complement those regulations found in O. Reg. 232/18.

On December 8, 2020, Municipal Council adopted a *London Plan* Amendment to designate Protected Major Transit Station Areas in the *London Plan*. The PMTSA, as adopted by Council, is shown on Map 1, below. This amendment has been forwarded to the Ministry of Municipal Affairs and Housing for Provincial approval.

The City’s Affordable Housing Development Toolkit report (June 17, 2019) also directs the review and consideration of Inclusionary Zoning policies. In the Toolkit report Inclusionary Zoning was identified as a new regulatory tool to increase the supply of affordable housing units.

Now that the PMTSA policies are introduced into the *London Plan*, the Inclusionary Zoning review can commence. The first step in this review is to conduct the assessment report analysis and financial viability analysis. Then, based on the findings, to potentially consider new *London Plan* policies and implementing regulations for Inclusionary Zoning.

The Terms of Reference specifies the requirements and deliverables associated with a review of Inclusionary Zoning for the City of London.

2.0 Inclusionary Zoning Terms of Reference

2.1 Terms of Reference for the Inclusionary Zoning Review

The Terms of Reference, attached as Appendix ‘A’ to this report, identify the objectives and timeline for the Inclusionary Zoning review. The Terms of Reference also identifies the processes required by Provincial legislation and O. Reg. 232/18 in order to introduce Inclusionary Zoning policies and by-laws.

As identified in Terms of Reference, the objectives of the review include:

- Satisfying requirements for the municipal assessment background report.
- Satisfying requirements for an analysis of potential impacts on the housing market and financial viability of market development.
- Evaluating if Inclusionary Zoning can complement other City and Agency actions, programs, and policies to encourage private developers to create new affordable housing units as part of new market-rental or market-ownership developments.
- Evaluating opportunities for Inclusionary Zoning to help achieve the Key Directions and City Structure of the *London Plan*, including but not limited to the

goal of strategically directing the highest intensity of growth to higher-order transit nodes and corridors.

- Engaging stakeholders and the public to gather feedback regarding the assessment reports as well as part of any associated *London Plan* or By-law Amendments.
- Engaging stakeholders and the public to provide information on the range of affordable housing tools and how Inclusionary Zoning may fit within that scope of programs and actions.

Prior to introducing an official plan amendment and zoning by-law amendment for Inclusionary Zoning policies and regulations, municipalities are required to prepare an “Assessment Report”. The Assessment Report evaluates current data and projections related to housing costs, city demographics, incomes, housing supply, the demand for affordable housing, and the potential for impacts on market housing costs arising from the introduction of Inclusionary Zoning.

Next Steps

As noted above, the Inclusionary Zoning review will include the preparation of an Assessment Report prior to the consideration of any London Plan policies and Zoning amendments.

The next step is preparation of a Request for Proposals (RFP) to retain a qualified consultant to prepare the assessment report, including a financial viability analysis. The preparation of the Assessment Report will include engagement with the development industry and public.

Following the preparation of the Assessment Report, the financial viability analysis section of the report must be peer reviewed by an independent reviewer. Preparation and consultation on the Assessment Report is included in the 2021 work plan, with the financial viability analysis peer review and Assessment Report finalization anticipated to be completed in early 2022.

After the Assessment Report is finalized, Council can evaluate the findings of the report and determine whether Inclusionary Zoning is an appropriate regulatory tool to help meet the City’s affordable housing needs. If, based on the results of the Assessment Report and consultations, it is recommended to proceed with potential *London Plan* and Zoning By-law amendments to introduce Inclusionary Zoning, then the second phase of the IZ review will commence. The second phase of the review will include preparation of draft London Plan policies and Zoning by-law regulations, and public and stakeholder engagement on those policies and Zoning regulations. Those amendments would be considered at a future meeting of the Planning and Environment Committee.

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