City of Hamilton
Report for Consideration

To:	Chair and Members Planning Committee
Date:	July 8, 2025
Report No:	PED23044(b)
Subject/Title:	Inclusionary Zoning – Market Feasibility Study and Peer Review
Ward(s) Affected:	Wards 1, 2, 3, 4 and 5

Recommendations

1) That the Inclusionary Zoning Market Feasibility Study, prepared by urbanMetrics Inc., dated March 26, 2024, and the 2025 Addendum dated April 30, 2025, attached as Appendix A and Appendix B to Report PED23044(b), **BE RECEIVED**;

2) That the Peer Review – Hamilton Inclusionary Zoning Market Feasibility Study, prepared by N. Barry Lyon Consulting Ltd., dated March 31, 2023, attached as Appendix C to Report PED23044(b), **BE RECEIVED**;

3) That staff **BE DIRECTED** to undertake public and community partner engagement on the Inclusionary Zoning Market Feasibility Study, the Peer Review, and the draft Inclusionary Zoning framework, attached as Appendix D to Report PED23044(b), refine the framework, and report back to Planning Committee with final recommendations for Inclusionary Zoning in Q3 2026and,

4) That staff **BE DIRECTED** to review existing Official Plan policies and Zoning regulations for opportunities to increase heights to provide opportunities for additional dwelling units to support Inclusionary Zoning.

Key Facts

- The purpose of this report is to introduce the findings of the Market Feasibility Study and to receive direction to begin public engagement on a draft inclusionary zoning policy framework.

- A municipal assessment has been completed as required by the Province prior to enacting Inclusionary Zoning policies and the findings have been used to inform the creation of a draft policy framework.
- Staff are seeking direction to engage with the public, key agencies, and partners, to refine the framework and develop detailed recommendations.

Financial Considerations

Costs will be incurred for consultation, including the hiring of a facilitator, ongoing participation from urbanMetrics and SHS Consulting, and other costs associated with the engagement on the final framework. Costs will be paid for out of existing funds in the Community Planning Studies Capital Account (8120955900).

Background

Inclusionary Zoning is a land use planning tool that has the potential to deliver affordable units within market-rate developments over the long term. The tool was first introduced in the 1970’s and was used throughout the United States to secure affordable housing units. The application of this policy tool is much newer to Canada. As part of the *Promoting Affordable Housing Act, 2016,* the Province of Ontario introduced a framework to allow municipalities to include Inclusionary Zoning in Official Plan policies and Zoning By-law regulations.

In April 2018, the Province released further details and limitations on the use of this policy tool through Ontario Regulation 232/18 which limited its application to Protected Major Transit Station Areas or Community Planning Permit System areas. A Protected Major Transit Station Area is a subtype of a Major Transit Station Area. A Major Transit Station Area includes the area around any existing or planned higher order transit station or stop, or the area around a major bus depot in an urban core. Major Transit Station Areas are defined as the area within an approximate 500 to 800 metre radius of the transit station, representing about a 10-minute walk. Municipalities may determine which Major Transit Station Areas it identifies as Protected Major Transit Station Areas pursuant to the *Planning Act,* but Protected Major Transit Station Areas require Ministry of Municipal Affairs and Housing approval.

On October 25, 2022, the Province released additional proposed changes to the regulations for Inclusionary Zoning which were posted on the Environmental Registry of Ontario. The City provided comments on the proposed changes, which were endorsed by Planning Committee on November 29, 2022 (PED22207).

On May 12, 2025, Ontario Regulation 54/25 came into effect. Ontario Regulation 54/25 amended Ontario Regulation 232/18 which sets the provincial framework for Inclusionary Zoning. The amendments limit the number of required affordable housing units, or gross floor area to be occupied by affordable housing units to a maximum of 5%. Further, the maximum affordability period was set at 25 years. Additional changes to Ontario Regulation 232/18 proposed and posted to the Environmental Registry of Ontario on October 25, 2022, have not been implemented.

Inclusionary Zoning programs can reduce revenues for market-rate housing developers due to lower rent and sale prices for affordable units. As such, Ontario Regulation 232/18 requires the City to undertake a municipal assessment report before implementing any Inclusionary Zoning policies, to ensure that market-rate residential development continues to be financially viable for private housing developers. The municipal assessment report includes two key components. The first component is an analysis of existing and projected housing supply and affordability, demographic trends, and resulting housing needs across the City. The City retained SHS Consulting to complete the analysis and a draft report was presented to Planning Committee on February 14, 2023 (PED23044(a)).

The second component of the municipal assessment report is an analysis of the market and financial feasibility of development and redevelopment with the enactment of an Inclusionary Zoning policy framework. The City retained urbanMetrics Inc. to complete the Market Feasibility Study and a first draft was completed in 2023. On February 8, 2023, Council authorized N. Barry Lyons Consulting Limited to conduct a written peer review of the Market Feasibility Study as legislatively required (PED23044). The peer review has been completed and is attached as Appendix C to Report PED23044(b), and the findings have been incorporated by urbanMetrics into the Market Feasibility Study report attached as Appendix A to Report PED23044(b), and the addendum attached as Appendix B to Report PED23044(b).

Analysis

The analysis section of this report is divided into three key areas. The first being a review of the policy implications and legislated requirements for enacting an Inclusionary Zoning policy in Ontario. The second is the findings of the Market Feasibility Study, and its addendum. Finally, a draft Inclusionary Zoning policy framework is discussed. It should be noted that while the policy framework is in line with the legislated requirements and aligns with the findings from the Municipal Assessment, it is intended to act as a starting place to frame future community engagement and is expected to change, subject to input from community partners and the public.

Policy Implications and Legislated Requirements

The Ontario Provincial Planning Policy framework is established through the *Planning Act* (Section 3), the Provincial Planning Statement (2024) and other Provincial policy documents. It provides municipal governments with direction and authority to guide development and land use planning through official plans and zoning by-laws. The *Planning Act* requires that all municipal land use decisions affecting planning matters be consistent with policy statements and plans issued by the Province. Bill 7, *Promoting Affordable Housing Act,* 2016 introduced Section 35.2 to the *Planning Act* containing permission for municipalities to implement Inclusionary Zoning provisions. Ontario Regulation 232/18 came into effect April 11, 2018, setting the framework for municipalities looking to explore implementing an Inclusionary Zoning by-law. On May 12, 2025, Ontario Regulation 54/25 came into effect further altering the framework for the creation of an Inclusionary Zoning by-law.

The *Planning Act* limits Inclusionary Zoning to developments of 10 units or more, within Protected Major Transit Station Areas, or where a Community Planning Permit System is in place. Currently, Hamilton does not have a Community Planning Permit System. Prior to enacting Inclusionary Zoning, a Municipal Assessment is required. The Municipal Assessment is required to consider demographics and population, household incomes, housing supply by housing type (planned and existing), current market price and rent by housing type and an analysis of the potential impact Inclusionary Zoning would have on the housing market and feasibility of development. Further, the recent changes to Ontario Regulation 232/18, through Ontario Regulation 54/25, require the set aside rate be limited to a maximum of 5% and a maximum affordability period of 25 years.

In addition to the Provincial Planning policy framework, the Urban Hamilton Official Plan also enables this work. Policy E.2.5.5 of the Urban Hamilton Official Plan promotes the delineation of Protected Major Transit Station Areas and enables the implementation of an Inclusionary Zoning Framework.

Market Feasibility Report, Peer Review and Addendum

The analysis regarding feasibility of an Inclusionary Zoning policy is the most critical component of the regulation requirements. There are several key Inclusionary Zoning policy elements that must be explored to arrive at the most appropriate Inclusionary Zoning program for Hamilton. The following is a summary of those elements and considerations that impact feasibility. Each of these elements is intended to be explored in greater detail through public engagement:

- Set-Aside Rate
    - What is an appropriate set-aside rate that will maintain the viability of market-rate development?
    - Should there be different rates for different market areas?
    - Should there be a different rate for different market tenures?
- Degree of Affordability
    - How should affordability be defined?
- Duration of Affordability
    - What is an appropriate duration of affordability and how should it be maintained over time?
    - How is the unit’s affordability managed if the tenant or owner chooses to move/sell or becomes deceased?
- Tenure of Affordable Units
    - What tenures would best serve the City’s needs?
    - Should there be specific tenure requirements in certain market areas?
- Offsite Units
    - Should off-site units (required by the *Planning Act* to be within the same Protected Major Transit Station Area) be permitted, and under what conditions?
    - How can the City ensure the timely construction of off-site units?

- Exemptions
  - Are there situations or sites that should be excluded from an Inclusionary Zoning Policy because they are more suitable for the achievement of other municipal objectives?
- Phase-in and Transitions
  - How should program elements be phased in to minimize market disruption (e.g. starting with a very low set aside rate and rising to a predetermined maximum)?
  - How should the program address stronger markets vs. weaker, less viable markets?
- Program Administration and Implementation
  - For rental units, who would manage the affordable units, fill vacancies with appropriate tenants, and ensure they continue to remain affordable?
  - For ownership units, how would those units be allocated?
  - What are the staff resource implications to the City under various implementation/administration models?
- Program Monitoring, Reporting and Updating
  - How often should the Inclusionary Zoning Policies and by-law be updated?
  - What additional resources will the City need to allocate to monitoring and updating the policy (reporting every two years and updating every five years)?

The Inclusionary Zoning Market Feasibility Study completed by urbanMetrics is attached as Appendix A to Report PED23044(b), the subsequent addendum is attached as Appendix B to Report PED23044(b), and the Peer Review is attached as Appendix C to Report PED23044(b). The study analysed a hypothetical, ‘as-of-right’ development at 10 test sites in potential Protected Major Transit Station Areas which have been identified as part of the ongoing Major Transit Station Area planning project. The impacts of various Inclusionary Zoning policy options were considered for each of the sites to determine the feasibility of developments in various scenarios. It is important to be mindful that the analysis carried out in the study represents a point in time, and fluctuating changes to market conditions, construction costs, development, and permit fees can all impact the feasibility of development.

The study considered the feasibility of condominium and rental development at each of the 10 test sites with set aside rates ranging from 0 – 20%. To be considered feasible the benchmark development would have to achieve a 15% profit margin or greater, before taxes. This profit margin is an industry standard and aligns with the feasibility studies carried out in other Ontario municipalities exploring or implementing Inclusionary Zoning.

In determining the feasibility of a project with Inclusionary Zoning requirements, several assumptions were made based on available information, current policy frameworks, and proposed policy changes from the Provincial Government. The affordability period was set at 25 years for all scenarios, in keeping with the proposed changes to Ontario Regulation 232/18, which have now been enacted. It was assumed that rental prices would match market rates after the affordability period was concluded. The affordability period does not impact the feasibility of a condominium development as any profits are realized by the developer at the time of the initial sale.

The level of affordability was based on regulatory parameters in conjunction with the work completed by SHS Consulting for the Housing Needs Assessment. The affordability numbers from the SHS Consulting report were updated to reflect 2023 average market rents, income levels and mortgage rates. For rentals, the study used 80% of the average market rent across the City by unit type. An income deciles approach was used for determining the sale price of an affordable condominium unit. A studio or bachelor dwelling unit would be affordable to an individual in the third income decile, a one-bedroom unit in the fourth income decile, a two-bedroom unit in the fifth income decile and a three-bedroom unit in the sixth income decile. These parameters result in the following rates:

Table 3: 2023 Affordable Housing Rates

	Maximum Affordable Purchase Price	**Monthly Affordable Rent**
Studio	$194,965	$732
1-Bedroom	$245,402	$876
2-Bedroom	$300,934	$1,017
3-Bedroom	$364,429	$1,183

In an evaluation of the benchmark condominium developments, six of the 10 developments would be feasible with a 0% set aside rate, and one would be feasible with a 5% set aside rate. None were feasible at higher set aside rates. The feasibility findings of the benchmark condominium scenarios are summarized in Table 1 below.

Table 1: Condominium Tenure Development Feasibility

Scenario	**Major Transit Station Area**	**No IZ**	**5% IZ**	**10% IZ**	**15% IZ**	**20% IZ**
1	**McMaster**	Y	Y	N	N	N
2	**Longwood**	Y	N	N	N	N
3	**Dundurn**	Y	N	N	N	N
4	**West Harbour**	Y	N	N	N	N
5	**Queen**	Y	N	N	N	N
6	**James/ Downtown**	Y	N	N	N	N
7	**Scott Park**	N	N	N	N	N
8	**Kenilworth**	N	N	N	N	N
9	**Nash**	N	N	N	N	N
10	**Confederation**	N	N	N	N	N

The same analysis was conducted for purpose-built rentals, yielding the results shown in Table 2 below. As can be seen in Table 2 none of the benchmark rental developments would be feasible even with a set aside rate of 0%.

Table 2: Rental Tenure Development Feasibility

Scenario	Major Transit Station Area	No IZ	5% IZ	10% IZ	15% IZ	20% IZ
1	**McMaster**	N	N	N	N	N
2	**Longwood**	N	N	N	N	N
3	**Dundurn**	N	N	N	N	N
4	**West Harbour**	N	N	N	N	N
5	**Queen**	N	N	N	N	N
6	**James/ Downtown**	N	N	N	N	N
7	**Scott Park**	N	N	N	N	N
8	**Kenilworth**	N	N	N	N	N
9	**Nash**	N	N	N	N	N
10	**Confederation**	N	N	N	N	N

As can be seen in the above summaries, in general the construction of condominium developments is more feasible than purpose-built rental developments. Further, no test development was feasible with a set aside rate of greater than 5%. The analysis also demonstrated that market conditions are not consistent across the Major Transit Station Areas. The Major Transit Station Areas can be divided into four market areas, that loosely align with Canada Mortgage and Housing Corporation market zones. The market areas are the *West End* (Major Transit Station Areas west of Highway 403), *Central and Downtown* (from Highway 403 to Sherman Ave.), *Central East* (Sherman Ave to Redhill Valley Parkway), and *East End* (Major Transit Station Areas east of the Redhill Valley Parkway). See Figure 4-1 on page 33 of Appendix A to Report PED23044(b) for a map of the site locations and market areas.

From the market feasibility analysis, urbanMetrics was able to draw conclusions and make recommendations regarding Inclusionary Zoning in Hamilton. The Study concluded that under current market conditions set aside rates in excess of 5% are not feasible, even in the strongest market areas. However, lower set aside rates, changes to market conditions or construction costs could make Inclusionary Zoning feasible in the Hamilton context. The Study also highlighted the fact that once constructed, the Light Rail Transit project is anticipated to impact market conditions across the Major Transit Station Areas and may result in greater Inclusionary Zoning feasibility in the future. Given this, ongoing monitoring of the feasibility of developments is integral to a successful Inclusionary Zoning program.

Through the review of the Market Feasibility Study staff identified additional information that would be beneficial to inform future work. Staff worked with urbanMetrics to provide this information through an addendum to the original report. The Market Feasibility Study Addendum is included in Appendix B to Report PED23044(b). The addendum sought to address three key items. First the underlying model was updated to reflect the best available market information as of February 2025, second, more detailed set aside rates between 0 and 5% were analysed for feasibility, and finally the required density increase needed to achieve feasibility, was calculated for each set aside rate.

In general, the feasibility of condominium development has worsened between the writing of the original report, and the addendum. This is for a multitude of reasons, the main causes of which are increased construction costs and limited increases to housing prices. Table 3 below highlights the feasibility of the benchmark condominium scenarios and can be compared to Table 1 above.

Table 3: Condominium Tenure Development Feasibility (Addendum)

Scenario	Major Transit Station Area	No IZ	0.5% IZ	1.0% IZ	1.5% IZ	2.0% IZ	2.5% IZ	3.0 % IZ	3.5% IZ	4.0% IZ	4.5% IZ	5.0% IZ
1	**McMaster**	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	**Longwood**	N	N	N	N	N	N	N	N	N	N	N
3	**Dundurn**	Y	N	N	N	N	N	N	N	N	N	N
4	**West Harbour**	Y	Y	Y	Y	N	N	N	N	N	N	N
5	**Queen**	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
6	**James/ Downtown**	Y	Y	Y	Y	Y	Y	N	N	N	N	N
7	**Scott Park**	N	N	N	N	N	N	N	N	N	N	N
8	**Kenilworth**	N	N	N	N	N	N	N	N	N	N	N
9	**Nash**	N	N	N	N	N	N	N	N	N	N	N
10	**Confederation**	N	N	N	N	N	N	N	N	N	N	N

Much like the benchmark condominium scenario at each site, the feasibility of purpose-built rentals also worsened. In keeping with the findings of the original report, the addendum found that purpose built rental development was not feasible at any set aside rate based on the benchmark developments.

The addendum attached as Appendix B to Report PED23044(b) provides additional detail including the economic shortfall for unfeasible scenarios and the overshoot for the feasible scenarios, in Tables 1-2 and 1-3. For condominium tenure these range from a $4.5 million dollar surplus at the McMaster test site to a shortfall of $22.6 million dollars at the Scott Park test site, for a 0% set aside rate. With a 5% set-aside rate, McMaster has a surplus of $1.9 million dollars, while the short fall at Scott Park is $30.9 million dollars. All other developments fall between these two extremes.

In the case of rental benchmark scenarios at a 0% set aside rate, Dundurn has a shortfall of $5.8 million dollars, while Scott Park has a short fall of $60.7 million dollars.

These shortfalls increase as the set aside rate increases, with all other developments falling within this range.

In an effort to understand how incentives or policy changes could change the feasibility of the benchmark scenarios, the addendum also calculated the necessary increase in density required to be feasible at four test sites. The test sites selected represent the least feasible benchmark development within each market area. This criterion was intended to illustrate a worst-case scenario. It is anticipated other sites in the market area would require less additional density to be feasible. The required density increases are summarized below in Table 4.

Table 4: Summary of Required Density Increases for Feasibility

Scenario	Major Transit Station Area	No IZ	0.5% IZ	1.0% IZ	1.5% IZ	2.0% IZ	2.5% IZ	3.0% IZ	3.5% IZ	4.0% IZ	4.5% IZ	5.0% IZ
2	**Longwood**	3%	5%	8%	10%	13%	16%	19%	22%	25%	29%	32%
3	**Dundurn**	0%	5%	11%	17%	24%	31%	40%	50%	62%	75%	91%
8	**Kenilworth**	-	-	-	-	-	-	-	-	-	-	-
9	**Nash**	-	-	-	-	-	-	-	-	-	-	-

There are various methods to increase density on a site including increases to height permissions, and reductions to setbacks and required open space requirements. The amount of possible density increase varies by method as does the impact on cost. While a reduction in setbacks does not increase the cost of construction, it has limited ability to lead to an increase in density on the site. Conversely, while increases in height have high capacity to increase the number of units, it can increase the cost of construction as taller buildings can require different building materials and construction techniques. The above density increases were assumed to not increase the per unit cost of construction. Therefore, the above calculated density increases may underestimate the actual density increase required.

The Nash and Kenilworth condominium benchmark and all rental benchmark test sites are not feasible at a per unit basis. As such, any increase in density makes the developments less feasible. The Longwood and Dundurn sites could potentially become feasible with an increase in density as a condominium development. At low set aside rates, a modest increase in density may be accommodated without significant increase to development costs at a per unit basis, however as the number of units and height increase, increased costs have potential to erode the per unit revenue of a development.

The addendum concluded that while increased density may increase feasibility, other tools would also likely be required. Municipalities can influence the cost of development, and therefore feasibility through, reducing soft costs such as application fees, development fees, or submission requirements, as well as hard costs through changes to design standards, landscaping requirements, or parking requirements, for example. Any efforts made to reduce development costs need to be weighed against the impacts and expected benefit of the existing policy. For example, having fewer landscaping requirements could reduce the cost of development, but it may also mean less trees are planted on a site, which could reduce urban tree cover, increase urban heat island effect and lead to outdoor spaces that are not enjoyable for residents and visitors.

Planning staff are working on various projects that have potential to increase the feasibility of development projects, including but not limited to city wide zoning by-law changes to permit greater intensification and delineating Protected Major Transit Station Areas along with minimum densities for these areas. The work completed through the municipal assessment and drafting an Inclusionary Zoning policy have been informed by these projects and vice-versa. As part of this report Staff are seeking direction to continue this collaborative approach by completing further analysis of policy and zoning opportunities to increase the feasibility of development and likewise of Inclusionary Zoning (Recommendation 3(c) to Report PED23044(b)). Increasing the viability of developments would support the success of a future Inclusionary Zoning program, by potentially allowing for the creation of additional affordable units.

Draft Inclusionary Zoning Policy Framework

Based on the results of the complete Municipal Assessment, a preliminary Inclusionary Zoning policy framework was developed, and is summarized in Appendix D to Report PED23044(b). This preliminary framework is intended to serve as a baseline to facilitate public and agency consultation, internal review, and ongoing refinement.

In developing the preliminary framework six key goals for Inclusionary Zoning were identified to guide decision making:

1. **Create affordable housing.**

   Any Inclusionary Zoning program should result in an increase of affordable units.

2. **Create housing choice/ complete communities.**

   A successful Inclusionary Zoning program should work within the greater affordable housing system to enable a variety of lifestyle choices and housing opportunities for all incomes along the housing continuum.

3. **Meet the needs for different sizes of units.**

   Inclusionary Zoning should aim to ensure affordable and market rate units are suitable for a variety of household sizes, providing both small and large units to meet identified needs as part of the overall housing approach in the City of Hamilton.

4. **Promote transit-oriented development.**

   Ensure that the market can support Inclusionary Zoning requirements and that it will not have a negative impact on the feasibility of residential intensification within proposed Protected Major Transit Station Areas.

5. **Promote transit equity.**

   Inclusionary Zoning should enhance access to higher order transit across the entire housing continuum, ensuring that affordable options exist within proximity to existing and proposed higher order transit stops.

6. **Continuously monitor and adjust.**

   Ensure the policies are informed by ongoing monitoring and periodic financial impact assessments in accordance with Provincial and City requirements, and to ensure the program goals are still being met.

The preliminary policy framework has various components, as discussed below. It is anticipated that these components will be refined following public engagement.

Set Aside Rate

As shown in the market feasibility study, market conditions are not consistent across the proposed Protected Major Transit Station Areas. To ensure that Inclusionary Zoning will result in the creation of affordable units, while not hindering the creation of market rate units, it is proposed that the set aside rate be varied across the market areas. Staff are proposing to start with low set aside rates and implement a gradual increase in set-aside rates to a maximum of 5% over time. The rate of increase for the set-aside rate would be informed by regular review of development and market conditions in each of the market areas. This additional investigation, along with public consultation and engagement with the development industry and housing providers, will inform what an appropriate set aside rate is at the outset, when the set aside rate should take effect, and what type of incremental increase is appropriate. The table below contains an example of the potential approach, for illustrative purposes only:

Table 5: Example of Gradual Phased-in Approach (Note: Set aside rates are for illustrative purposes only.)

	2026-2027	2028-2029	2030-2031
Market Area 1	2%	3.5%	5%
Market Area 2	2%	3.5%	3.5%
Market Area 3	0%	0%	0%
Market Area 4	0%	1%	2%

Starting with a lower set-aside rate and increasing gradually over time provides an opportunity for the development industry to consider Inclusionary Zoning when making land procurement and development pro-forma decisions. Providing a longer lead time and gradual increase of set aside rates allows the financial impacts of Inclusionary Zoning to be included in land value calculations. Providing an opportunity for these financial considerations has potential to lessen the impact Inclusionary Zoning has on the feasibility of development, helping balance the need to create affordable housing with the desire to intensify and create transit-oriented development in the proposed Protected Major Transit Station Areas.

Level of Affordability

A key component of an Inclusionary Zoning policy is establishing the maximum sale and/or rent prices for the duration of the affordability period. The higher the level of affordability, the larger the impact on the feasibility of development projects. Inclusionary Zoning is anticipated to create units at a moderate level of affordability. The Housing Needs Assessment and further work completed as part of the Feasibility Study determined affordability levels for both rental and ownership units.

The Provincial Planning Statement outlines two methods for determining affordability, and dictates that whichever method results in the lesser price is to be used. The first method is known as the income method and requires housing to be less than 30% of the gross annual income for low- and moderate-income households. The second is known as the market method and requires units to be sold at least 10% below the average purchase price of a resale unit, or where units are rental tenure, requires units to be rented at or below the average market rent of rental units in the same market area. For the purposes of these definitions, low- and moderate-income households means households with incomes in the lowest 60th percentile of the income distribution for the City of Hamilton.

Staff will be soliciting feedback during consultation on whether Inclusionary Zoning should have a greater focus on the creation of affordable ownership units or affordable rental units, both of which fulfil unmet housing needs in the City.

Using information from the Housing Needs Assessment and the Market Feasibility Report staff propose maximum sale prices for ownership units be set as follows:

- Studio units will be priced at or below the maximum purchase price for the 3rd income decile;
- One-bedroom units will be priced at or below the maximum unit purchase price for the 4th income decile;
- Two-bedroom units will be priced at or below the maximum purchase price for the 5th income decile; and
- Three-bedroom units will be priced at or below the maximum purchase price for the 6th income decile.

It is anticipated that the income level for each decile will change on an annual basis. The maximum sale price will need to be amended regularly as part of the Inclusionary Zoning requirements to ensure the purchase price remains affordable for the targeted deciles. Using 2023 data results in the following prices:

Table 6: Maximum Affordable Purchase Price Based on 2023 Income Deciles

Income Decile	Household Income	Maximum Affordable Purchase Price	Unit Size
Decile 3	$61,738	$194,965	Studio
Decile 4	$77,710	$245,402	1-Bedroom
Decile 5	$95,295	$300,934	2-Bedroom
Decile 6	$115,350	$364,429	3-Bedroom

Contrary to the method of calculating affordable ownership, the affordable rent calculation has the lowest rate when based on an average market rent calculation. It is proposed that if affordable rental units are being created, affordable rent should be set at 80% of the average market rent for the same unit type (number of bedrooms). Much like income levels, average market rent is anticipated to change annually. Using 2023 data results in the following prices:

Table 7: Maximum Affordable Rent Price Based on 2023 Market Data

	Studio	1-Bedroom	2-Bedroom	3-Bedroom
80% of Market Rent (Monthly)	$732	$876	$1,017	$1,183

The lower the sale price, or monthly rent, the larger the impact each unit has on the feasibility of developments. When considering the level of affordability, it is important to be mindful that Inclusionary Zoning is just one tool that can be used to create affordable units and that different tools or approaches may be better suited to create different forms of housing across the housing continuum, such as deeply affordable units.

Affordability Period

The Market Feasibility Study recommended a 25-year affordability period, in keeping with the recently enacted Provincial regulations. The affordability period has no impact on the feasibility of affordable ownership units as the developer generates all the revenue at the initial sale. Longer affordability periods have a negative impact on feasibility of rental units as it reduces the revenue over a greater time horizon before rents can increase above the affordability period.

Development Types and Exemptions

The *Planning Act* and Ontario Regulation 232/18, amended by Ontario Regulation 54/25, limit the application of Inclusionary Zoning to developments of 10 or more units. In general, Inclusionary Zoning has an outsized impact on smaller developments. Further, staff want to encourage infill and ‘missing middle’ developments to ensure a mix of unit types and promote the development of complete communities within the proposed Protected Major Transit Station Areas. As part of the draft Inclusionary Zoning framework, staff are proposing that developments less than 50 units, or less than 3,600 square metres of residential gross floor area be exempt from Inclusionary Zoning.

The Housing Needs Assessment identified a need for more purpose-built rentals in the City. Additionally, the Market Feasibility Study revealed that purpose-built rentals are less feasible than condominium developments. To promote additional purpose-built rentals, it is recommended that Inclusionary Zoning requirements be applied only to market rate ownership developments. This would ensure that Inclusionary Zoning is not creating a barrier to the development of rental units, while also securing affordable units in the more feasible condominium developments.

Additional types of development that should be exempted from Inclusionary Zoning include:

1. Retirement homes, student residences, long-term care facilities, corrections residences, licensed residential care facilities, hospices and emergency shelters;
2. CityHousing Hamilton developments;
3. Non-profit Housing provider developments where the whole building is owned and operated by the Non-profit Housing provider;
4. Legally existing buildings established prior to the effective date, except where any new addition, alteration, or change of use results in 50 or more new dwelling units or 3,600 square metres or more of new residential gross floor area;
5. Any replacement of affordable rental units required through the Rental Housing Protection policies of the Urban Hamilton Official Plan and Rental Housing Protection By-law, as amended, should not be included in the gross floor area used to calculate Inclusionary Zoning Requirements;
6. Any development applications in progress that have preliminary approvals such as site plan approval or building permit approval; and,
7. Any exemptions in accordance with the *Planning Act* and associated Ontario Regulation 232/18, as amended by Ontario Regulation 54/25.

It is the intention that these exemptions limit barriers to housing forms that have been identified as needs in the Housing Needs Assessment. By reducing barriers to certain types of developments and implementing Inclusionary Zoning on others it can encourage the creation of these needed housing forms, while also ensuring affordable units are created in new market rate developments.

Other Factors

In addition to the factors discussed above there are several other nuances and considerations that also need to be investigated and discussed through public consultation and community partner conversations. Currently Planning staff have identified several concepts for further discussion and investigation:

- Providing a mix of unit sizes;
- The provision of off-site units;
- Potential incentives; and,
- Administration details.

The Housing Needs Assessment identified the need for more family sized units to help encourage families to move to Hamilton, as well as a need for smaller units. Inclusionary Zoning policy can dictate the size and mix of affordable units. Requiring more, larger units may negatively impact the feasibility of developments, while not requiring a mix may result in a large number of small affordable units being created which would not reflect the diversity of households in the City.

Inclusionary Zoning policy can mandate that all affordable units be located on the same site as the market rate development, or it can permit the creation of required units off-site. Permitting off-site units can encourage partnerships between traditional developers and non-profit housing providers, while also reducing the impact on the feasibility of developments. Staff are recommending that provisions for off-site units be considered as part of an Inclusionary Zoning policy framework, subject to meeting specific locational criteria.

Within the Inclusionary Zoning Framework there are also opportunities to provide incentives to improve the feasibility of developments, or be used to encourage certain types of units, lengthened affordability periods, higher set aside rates, or deeper levels of affordability. However, this must be balanced against the cost of providing incentives, particularly direct financial incentives.

After the creation of the Inclusionary Zoning policy, resources will be required to administer and review the program. Administration is required for the ongoing implementation of the policy, ensuring units remain affordable, qualifying potential renters or owners, and ensuring set aside units satisfy all requirements. The policy directions discussed throughout this report will guide the creation of an administration framework. Public and community partner engagement will be used to develop final policy recommendations and explore various administration models and potential partnership opportunities.

Next Steps

Further comprehensive engagement will be undertaken with the development industry, the public, and other community partners to solicit feedback on the draft Housing Needs Assessment, the Inclusionary Zoning Market Feasibility Study, and the draft framework.

The engagement plan has been divided into two phases:

- Phase 1 is anticipated to occur through the summer and the fall, with a focus on increasing awareness of Inclusionary Zoning and generating feedback on the preliminary policy framework outlined in this report. Following Phase 1, the policy framework will be refined and updated.
- Phase 2 will be focussed on sharing the results of Phase 1, including any changes to the policy framework, and will include more detailed draft policy documents and implementation guidelines, while also providing an opportunity to engage on outstanding concerns, before bringing a final recommendation to Council.

Through both phases staff are looking to leverage virtual and in-person platforms to reach a wide cross section of the population. Proposed tools include:

- updates to the project webpage and Engage Hamilton page;
- advertisements through online and print media;
- online commenting, info-sheets, and information panels; and,

- a virtual community meeting, in person community meetings, community pop-up events and topic-specific focus groups with community partners and the development industry.

Efforts will be made to co-ordinate the engagement and outreach with other city projects from the Housing Secretariat, Policy Planning and LRT where appropriate. A substantial list of key interest groups and community partners has been identified and includes Indigenous serving organizations, industry and advocacy organizations, non-profit and for-profit developers, community organizations and resident associations, newcomers organizations and other institutions and service providers.

Sustainable Communities staff is working with the Public Engagement Office to ensure that a comprehensive engagement plan will be implemented in accordance with the City's Public Engagement Charter and Public Engagement Policy.

Alternatives

Council could direct staff not to proceed with Public Consultation on the Inclusionary Zoning Market Feasibility Study and proposed Inclusionary Zoning Policy Framework. This alternative is not recommended because information and insight from the community is valuable to help develop and refine Hamilton's approach to Inclusionary Zoning.

Relationship to Council Strategic Priorities

1. Sustainable Economic & Ecological Development
    1.1. Reduce the burden on residential taxpayers
2. Safe & Thriving Neighbourhoods
    2.1. Increase the supply of affordable and supportive housing and reduce chronic homelessness
    2.2. Make sure people can safely and efficiently move around by food, bike, transit or car

Previous Reports Submitted

- Planning Committee on November 29, 2022 (PED22207).
- Planning Committee on February 14, 2023 (PED23044(a)).
- Planning Committee on January 31, 2023 (PED23044)

Consultation

Community Planning Staff consulted with a broad range of City staff groups about the findings of the Market Feasibility Study and Peer Review and information about a proposed policy framework, including:

- Planning Division;
- Growth Management Division;
- Economic Development Division;

- Office of Climate Change Initiatives;
- Municipal Land Development Office;
- Government Relations and Communications;
- Environmental Services Division;
- Housing Secretariat; and,
- Investment and Affordable Housing Division.

Appendices and Schedules Attached

Appendix A: Inclusionary Zoning Market Feasibility Study, City of Hamilton

Appendix B: 2025 Addendum: Inclusionary Zoning Market Feasibility Study

Appendix C: Peer Review – Hamilton Inclusionary Zoning Market Feasibility Study

Appendix D: Draft Inclusionary Zoning Policy Framework for the City of Hamilton

Prepared by: Neil Stoop, Senior Planner, Sustainable Communities
Planning and Economic Development, Planning Division

Submitted and recommended by: Anita Fabac, Acting Director of Planning and Chief Planner, Planning and Economic Development, Planning Division