

Draft Inclusionary Zoning Policy Framework for the City of Hamilton

1.0 Overview

Inclusionary Zoning is a tool that can be employed by Municipalities to increase the supply of affordable housing options. The development and implementation of Inclusionary Zoning is permitted and guided through the *Planning Act* and Ontario Regulation 232/18, as amended by Ontario Regulation 54/25. The following framework outlines considerations for the development of an Inclusionary Zoning By-law for the City of Hamilton.

2.0 Goals and Objectives of Inclusionary Zoning

- **Create Affordable Housing:** Increase the amount of affordable housing in Hamilton to meet affordable housing needs.
- **Create Housing Choice/Complete Communities:** Enable a variety of lifestyle choices and housing opportunities for all incomes on the housing continuum.
- **Meet needs for different sizes of units:** Provide for both small units and large units suitable for family households to meet identified needs.
- **Promote Transit Oriented Development:** Ensure that the market can support Inclusionary Zoning requirements and that Inclusionary Zoning will not have a negative effect on the feasibility of residential intensification within Protected Major Transit Station Areas.
- **Transit Equity:** Enhance equitable access to transit across the entire housing continuum.
- **Continuously Monitor and Adjust:** Inclusionary Zoning policies will be informed by ongoing monitoring and periodic financial impact assessments in accordance with Provincial and City requirements, or more frequently as necessary.

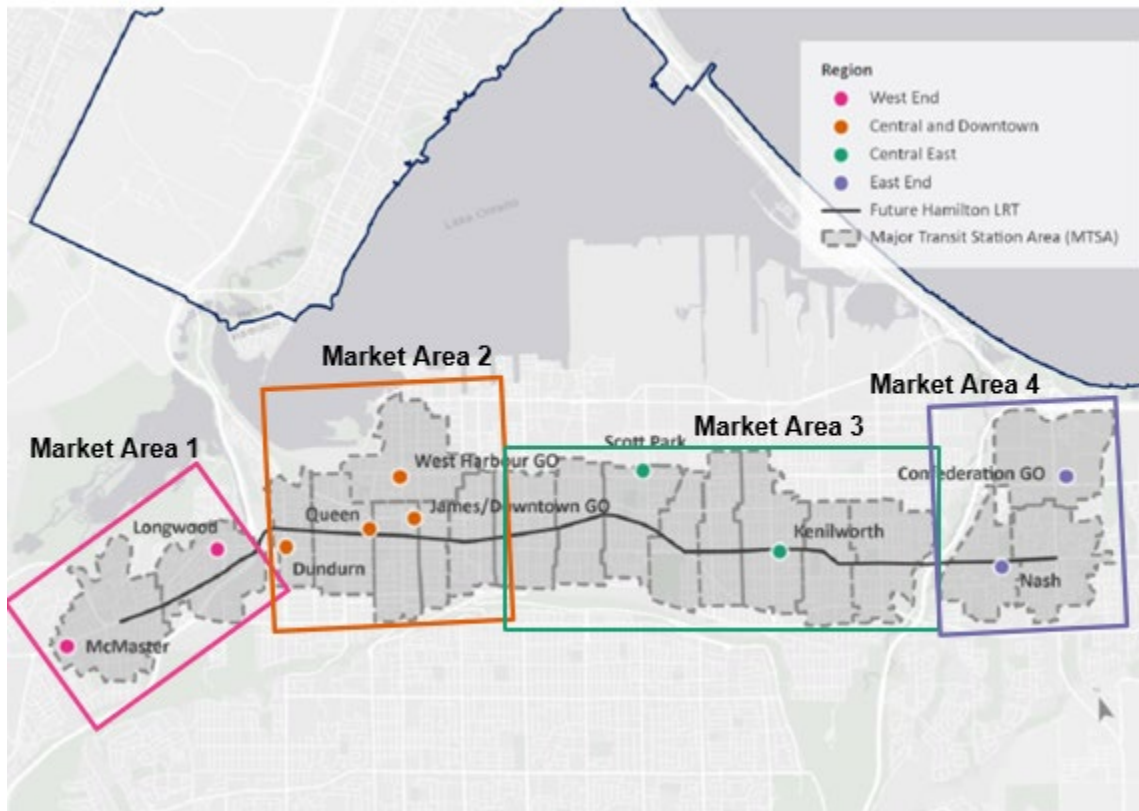
3.0 Geographic Boundaries

Inclusionary Zoning can be applied to Protected Major Transit Areas in the City of Hamilton. Protected Major Transit Station Areas will be divided into four Market areas for the purposes of Inclusionary Zoning:

- **West End:** West of Highway 403
- **Central and Downtown:** Between Highway 403 and Sherman Avenue
- **Central East:** Between Sherman Avenue and Red Hill Valley Parkway
- **East End:** East of Red Hill Valley Parkway. Includes Eastgate Square and Confederation GO Station.



Figure 1: Map of Market Feasibility Test Sites and Market Area Divisions



4.0 Set Aside Rates

The set aside rate is the proportion of affordable units required in a market rate development. The set aside rates will vary across the market areas based on the market conditions in each area, and will be gradually phased in, to a maximum of 5%. Set aside rates will be reviewed and updated regularly to react to changing market and development conditions.

Table one shows one potential scenario for phasing in rates, based on current market and development conditions.

Table One: Example of Potential Set Aside Rates

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



5.0 Level of Affordability

The City will establish maximum prices and rents on an annual basis during the affordability period for affordable ownership housing units and affordable rental housing in keeping with the definition of *Affordable* from the Urban Hamilton and Rural Hamilton Official Plans and the Provincial Planning Statement.

5.1 Affordable Ownership

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

Table 2: 2023 Ownership Affordability Levels Based on Unit Sizes

| 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 |

5.2 Affordable Rental

Rents will be set at 80% of the average market rent for the type of unit (number of bedrooms).

Table 3: 2023 Rental Affordability Levels Based on Unit Sizes

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

6.0 Affordability Period

Affordable units created through Inclusionary Zoning are to remain affordable for a period of 25 years. Following the affordability period units can be sold at market rate and rents can increase in line with relevant Provincial legislation.



7.0 Type of Development and Exemptions

Exemptions from Inclusionary Zoning can be used to promote certain types of development and to limit the impact Inclusionary Zoning has on the creation of new market rate units within the City.

Types of development that are proposed to be exempt from Inclusionary Zoning requirements include:

1. Purpose built rental developments.
2. Development or redevelopment that is less than 50 units or less than 3,600 square metres or more of residential gross floor area.
3. Retirement homes, student residences, long-term care facilities, corrections residences, licensed residential care facilities, emergency shelters, or hospices;
4. CityHousing Hamilton developments.
5. Non-Profit Housing provider developments where the whole building is owned and operated by the Non-Profit Housing provider.
6. Legally existing buildings established prior to the effective date of Inclusionary Zoning, except where any 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.
7. Any replacement of affordable rental units required through the Rental Housing Protection policies of the Urban and Rural Hamilton Official Plans and Rental Housing Protection By-law (in process), as amended, shall not be included in the number of units or gross floor area used to calculate Inclusionary Zoning requirements.
8. Any development applications in progress that have preliminary approvals such as site plan approval or building permit approval.
9. Any exemptions in accordance with the Planning Act and associated Ontario Regulation 232/18, as amended by Ontario Regulation 54/25.

8.0 Unit Mix

The Housing Needs Assessment identified the need for more family-sized units to encourage families to move to Hamilton, and for more small units. A mix of unit sizes is proposed to reflect these needs. It is recommended that a minimum proportion of Inclusionary Zoning units (i.e. 25%) be required to have at least three bedrooms.

Staff are also contemplating whether studios/bachelor units should qualify as Inclusionary Zoning units, or whether Inclusionary Zoning units should have a minimum of one bedroom.



9.0 Off-site Units

Off-site units may be permitted through a site-specific zoning by-law amendment. Off-site units are proposed to be subject to the following criteria:

- a) Units must be located within the same Protected Major Transit Station Area; or
- b) Units must be located within the same market area and within 800 metres of the proposed development;
- c) The offsite Inclusionary Zoning contribution results in one or more improved housing outcomes, such as:
 - i. the delivery of affordable housing units occurs sooner than if the units were delivered in the development giving rise to the Inclusionary Zoning requirement;
 - ii. the provision of affordable rental housing units
 - iii. the provision of more deeply affordable units than required (i.e. housing affordable to low-income households); or
 - iv. the provision of a greater amount of affordable gross floor area than required; and,
- d) The timing of first occupancy of off-site affordable dwelling units will be prior to or coincident and proportional to the occupancy of market units on the site giving rise to the requirement for the affordable dwelling units.

10.0 Incentives

Incentives are intended to promote a greater return relative to the minimum requirements of the Inclusionary Zoning policy, such as more affordable units, deeper levels of affordability, or more family sized units.

Possible incentives that have been identified include:

- Increased Height Permissions
- Development charge reductions for non-Inclusionary Zoning units.
- Reduced amenity or parkland dedication requirements; and,
- Tax increment financing (TIF) incentive programs.

Note: The Market Feasibility Analysis has already considered reduced parking requirements for residential uses as approved by the City of Hamilton through the recent Parking Standards Review.

Note: The Province has already exempted Inclusionary Zoning units from Development Charges, so this incentive has been factored into the analysis.

