



# Inclusionary Zoning: Using Various Policy Frameworks for Municipal Applications

## Presentation by:

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# What Is Inclusionary Zoning?

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Policy tool to provide Affordable Housing

Builders provide it when building new housing

The form may be rental or ownership units

Requires enabling legislation

It can be applied in variety of ways:

- The policy framework
- Policy variables

The policy variables and different market conditions makes comparisons difficult

# United States Policy Evolution

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Inclusionary Zoning began in the U.S. in the 1970s

Currently there are 886 jurisdictions using Inclusionary Zoning

Many variations depending on local culture, politics, and markets

Most successful where incentives are used by local governments, most common density bonuses

Good examples/prototypes include Seattle and Portland

# Where Has it Been Applied

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United States

Europe

Canada

South Africa (being considered/developed)

# Alternative Policy Frameworks

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## Exaction Policy

Mandatory Requirement for certain projects and/or areas

Similar impacts as Development Charges/Parkland Dedication

## Land Value Capture Policy (LVC)

Long Established set of Land Policies

Land Value Creation.....Land Value Capture

# Why the Policy Framework Matters

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**Incidence:** (who bears the burden)

Exaction: similar to DC's and Parkland Dedication, pressure on builder to pass it on to end user, or bear reduced profits (may impact timing or decision to build)

Land Value Capture: increased density (permission) adds value which is shared by the landowner/builder and the public via affordable housing provision

**Impact on the Market:**

Exaction: May delay or cancel development, may shift development to areas in the city or other city's without IZ policy

Land Value Capture: Little negative market impact, may encourage development, and speed up the provision of affordable housing (also increase the supply/stock)

# International Examples of Countries with Inclusionary Zoning Policies

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United States (LVC has not been central to the planning culture)

Canada (LVC is implicit or ambiguous)

England (explicit and extensive LVC)

Ireland (limited but explicit LVC)

France (LVC is implicit or ambiguous)

Italy (LVC is explicit or ambiguous)

Spain (explicit and extensive LVC)

# Canadian Examples

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## Province of British Columbia

- Enabling legislation passes in 1993, “Local Government Act”
- Density bonuses, under rezoning, and resort communities

## Montreal

- Executive Committee: Inclusionary Zoning Policy, 2006
- Based on both regulation and incentives

## Province of Ontario

- Promoting Affordable Housing Act, 2016, local government option
- Regulations of the Act 2018, Mandatory



# Inclusionary Zoning: Big Questions

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Mandatory

Incentive-based

- Formula-based
- Negotiated

Used in conjunction with and impacts on other LVC tools, and housing policy

Contributions: “in kind” (on or off site), land, or cash (to a housing fund)

# Variables to Consider in Designing Inclusionary Zoning Policies

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Program target groups and income levels

Prices and/or rents

Unit set-aside

Affordability periods

Threshold size of developments

Measures and incentives

Unit requirements and standards

Relationship/use with other exaction tools or housing programs

# City of Toronto Inclusionary Zoning Policy

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“Mandatory”

No “offsets” provided (DC or parking reductions, etc.)

Applied in PMTSA’s

5-10% Affordable Requirement (increasing to 8-22% in 2030)

Applies to Buildings with 100+ units

99 Year Affordability Period

Does not apply to rental development

No cash “option”

Implementation not fully developed (in the initial policy)

# “Mandatory” Can Be Several Things: Examples

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## Atlanta

- Transit Area: Beltway Application
- Offsets and Density Bonuses Provided

## New York City

- Recent application “Mandatory” for 42 blocks in Manhattan
- The area had its density increased

# Key Implementation Issues

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Will the Condo “Affordable” units be ownership or rental?

How will they be allocated?

If ownership, recipients will require a down payment and qualify for a mortgage

If rental, who will manage the units? (The policy refers to the “manager”)

# Toronto's “Default” Inclusionary Zoning Policy

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Under Section 37 Density Bonus Policy

Waterfront Toronto Secondary Plan Required all Section 37 benefits allocated for affordable housing

The City obtained ownership units, rental units, cash contributions

Similar to many U.S. Inclusionary Zoning programs

# Ontario Municipalities: Policies Under Development

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- London
- Ottawa
- Mississauga
- Brampton
- Burlington
- Markham
- Richmond Hill
- Kitchener
- Waterloo
- Cambridge
- Durham Region
- Hamilton

# Economic Analysis Needed in Policy Design

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- Pro forma analysis
- Land residual analysis
- Local market and submarket analysis
- Submarket analysis by both geographic area and development prototype (high-rise, mid-rise, townhouse, etc.)



# Evaluating Inclusionary Zoning Programs: Costs and Benefits

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## Costs

- Who bears the costs of the units?
- What are the costs of incentives?
- What are the public sector administrative costs?
- Are there cost impacts on other exaction tools? (Are there losses?)

## Benefits

- Magnitude and distribution of benefits
- Not only the number of units created, but who occupies them, for how long, and the location of the units

# Conclusion/Summary

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Land Value Capture Tools (Preferred Policy Application) are varied and complex (including Inclusionary Zoning)

Implementation is the key to success

Need to build institutional capacity/expertise: government and “not for profit”

“The Devil is in the Details”

Implementation must consider local context: planning, political, and legal basis of property rights

Understanding economics is a key component: local market conditions and undertaking appropriate analysis in designing, implementing, revising and evaluating the tools

## Contact

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# Literature

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Lincoln Institute of Land Policy

[Inclusionary Housing in International Perspective | Lincoln Institute of Land Policy](#)

[Inclusionary Housing | Lincoln Institute of Land Policy](#)

Williams, Stockton, et al, 2016, The Economics of Inclusionary Zoning, Urban Land Institute, Terwilliger Center for Housing, Washington D.C.

Grounded Solutions: [Inclusionary Housing US v1 0.pdf \(groundedsolutions.org\)](#)

OECD: [Building a Global Compendium on Land Value Capture - OECD](#)

# Bill 23 Changes

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## LIMITS RELATED TO INCLUSIONARY ZONING

- The proposed legislation would prescribe a maximum affordability period of 25 years
- Proposed legislative amendments would also prescribe an approach to determining the lowest price or rent required for Inclusionary Zoning units. For ownership units, this would translate to 80% of the average resale purchase price, and 80% of the average market rent for rental units
- It is proposed that, with certain criteria, parkland dedication charges, development charges and community benefit charges be exempt from Inclusionary Zoning units (as well as affordable housing units and non-profit housing)
- Protected Major Transit Station Areas (PMTSAs) will not be approved until, at least, the time that municipalities update their Inclusionary Zoning by-laws to reflect above
- It is proposed that set-aside rates will be capped at 5% per unit