

Overview of Three Canadian Inclusionary Policies

Three major Canadian cities – Montreal, Toronto and Vancouver – have enacted inclusionary housing policies. Although different in some ways, the policies share a number of key features that constitute a limited made-in-Canada inclusionary housing approach.

This approach falls well short of mandatory inclusionary zoning as practised in the US. It probably represents more or less the best that can be done within the municipal powers and resources currently available generally within this country.

Summary of the Three Policies

All three of these policies are directed at providing mixed-income housing in developments that otherwise would contain only market housing.

The following provides a summary of each of the policies. The policies are also examined in greater detail in separate case studies.

Montreal's *Inclusionary Housing Strategy*

This strategy – formally called a 'strategy for inclusion of affordable housing in new residential projects' – was adopted by the city in 2005. It is the most comprehensive and productive of the three policies.

The strategy's goal is to provide at least 30% of the new units as affordable units in major residential developments – half as social housing and half as affordable rental or affordable ownership.

It is applied to developments of 200 and more units because they are considered capable of accommodating a mix of housing generally, and also a viable social housing project.

The strategy is applied mainly to developments needing a major change to planning and zoning provisions, such as a change to the permitted land-use, density or height. It applies to privately-owned lands, and also to lands owned by governments and public agencies whenever released for residential purposes.

The strategy was designed to provide suitable development sites for social housing built through government funding, and the construction of "low-end-of market" affordable ownership and rental housing built by private and possibly non-profit developers.

This approach is aptly called a strategy because it must operate within Montreal's two-tier government. The strategy was established by the city-wide government, but depends upon its constituent boroughs for implementation because the control local planning and development approval.

Vancouver's 20% Core Housing Need Policy

The city introduced an inclusionary housing program in 1988 through a policy originally called its '20% core need housing policy'. This policy is the most straightforward of the three.

This policy is applied to large privately-owned developments seeking a change of use to residential. It affects only developments of more than 200 units because these are considered capable of accommodating a separate and reasonably-sized social housing project.

These developments are required to provide sites capable of accommodating a minimum of 20% of the units as social housing, and half of that as housing suitable for families.

The policy was designed to provide suitable sites for the development of social housing through government funding programs.

Toronto's Large Sites Policy

The basis for Toronto's corresponding inclusionary housing approach is provided by the 'large sites policy' of its Official Plan. The policy was approved in 2002, but did not come into effect until mid-2006.

This policy is the least developed of the three. It has not been used, nor have any implementing regulations been prepared to expand upon the basic OP provisions.

Under this policy, on residential developments on sites generally greater than 5 ha, when an increase in the already permitted height and/or density is sought, the provision of 20% of the additional residential units as affordable housing will be the city's "first priority community benefit".

The policy has been designed to make use of section 37 of the Ontario Planning Act, under which the city is able to offer an increase in the permitted height and/or density in return for the provision of various "facilities, services or matters", otherwise generally called community benefits.

The policy identifies alternative ways for meeting the affordable housing obligation. Based on various considerations, it can be expected that the obligation will be met mostly by the conveyance of development parcels on the large sites rather than the construction of affordable housing, and these parcels will be used to support mainly social and possibly affordable rental housing built with government funding.

Comparison of Inclusionary Policies in Montreal, Vancouver and Toronto with Typical IZ Programs in the US

	Montreal <i>Inclusionary Housing Policy</i>	Vancouver <i>20% Core Need Housing Policy</i>	Toronto <i>Large Sites Policy</i>	Typical American IZ Program
Affected Developments	developments on private & public lands needing major changes to zoning or planning	developments on private lands needing change of use to residential	developments on private lands needing increase in density or height	all developments generally, including as-of-right developments
Size Threshold	200 units	200 units	5 ha	10 to 50 units, but possibly down to 2
Set-Aside Obligation	30% but sometimes more	20%	20%	10 to 25% generally
Main Contribution	donation of land at reduced price	donation of land at reduced price or payment of fees-in-lieu	donation of land at reduced price land or payment of fees-in-lieu?	construction of affordable housing, but possibly also donation of land at no cost or payment of fees-in-lieu
Affordable Housing Provision	social housing & low-end-of-market ownership housing	social housing	social housing & below-market rental housing?	below-market ownership mainly, but also below-market rental

Review of the Inclusionary Practices

Shared Practices

The city policies share a number of practices that provide the basis for a limited inclusionary housing approach.

These policies operate by imposing an affordable housing obligation on certain developments – principally, on those needing a major re-zoning. The obligation can be successfully enforced by the power to deny the development approval to the developments that do not comply.

At least two of these policies, if not all three, also share to some extent these additional practices:

- imposing the obligation on developments large enough to accommodate a separate project for social housing;
- securing the contribution of a developable site at a reduced cost for the social housing; and
- relying upon senior government funding as the primary source of subsidy for the social housing.

Other Practices

Montreal's strategy has introduced two other key practices not seen in the other two, but very important for extending the productivity of these inclusionary policies. The additional practices are these:

- applying the inclusionary housing obligation to publically-owned lands, and not just to the privately-owned; and
- including affordable rental and ownership housing, not just social housing, in the potential housing mix.

Comparison with Inclusionary Zoning

Inclusionary zoning is a particular model of inclusionary housing program that is practised across the US. It is now used in at least 300 communities, and perhaps as many as 400, in more than a dozen states. It has not yet been used in this country.

Like other inclusionary housing programs, inclusionary zoning is essentially a municipal program that relies upon the development regulation and approval process to oblige private developers to provide for some portion of the housing as affordable housing within their new market developments.

The practices followed in inclusionary zoning programs in the US are different in than those in the three Canadian policies in a number of significant ways:

- They exploit the development approval to achieve substantial price reductions for the affordable housing. This approach does not rule out the use of government funding to achieve still deeper subsidies, but it does mean these programs are not dependent upon government funding to provide affordable housing.
- They impose the affordable housing obligation on all new residential developments, including generally those built as-of-right within the existing regulations. When small developments are excluded, the cut-off is generally for developments in the range of 10-20 units.
- They require the private developers to build and provide the affordable housing. The provision of sites or cash-in-lieu is often permitted, but generally only at the discretion of the municipality and where they achieve a greater benefit.
- They generate “below-market” affordable ownership, and sometimes rental, housing. This is housing that is provided at price or rent that is substantially lower than that available for the equivalent housing on the market.
- They ensure that the affordable ownership housing remains “permanently affordable”. Controls are used to protect the below-market price whenever the units are resold for a very long time or even permanently.
- They mix the affordable units within the market units, and generally design them in a way that makes the two largely indistinguishable.

The principal consequence of these provisions is that inclusionary zoning programs are able to deliver the actual construction of the affordable housing, and also to produce that affordable housing on a much wider range of development sites.

There is one final notable difference between the two. As a general rule, unlike the policies here, inclusionary zoning has not been used to support the provision of social housing. Nevertheless, this does not mean that inclusionary zoning is inherently incapable of doing so. Indeed, there is at least one example – the inclusionary zoning program in Davis CA – that is designed to provide development sites at no cost for government-funded social or special needs housing in mixed-income projects.

Reasons for the Differences

The adoption of the more limited approach in the three Canadian cities seem to be conditioned by certain conditions particular to this country:

- The lack of express legal authority in provincial legislation to impose a full and mandatory affordable housing obligation. As a consequence, cities are barred

from requiring developers to provide affordable housing when they develop within the existing permitted zoning.

- The enduring conviction that the provision of affordable housing is fundamentally a problem that can solely be addressed by federal and provincial funding. So, municipalities are able to excuse themselves from using their regulatory powers and other resources to support affordable housing.
- The related conviction that supporting affordable ownership housing, which is typically the main product of inclusionary zoning, is not serving an important or legitimate housing need. Therefore, supporting this form of housing is seen by many as being a misuse of energies and resources that should be devoted to low-income rental housing.

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