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Housing Needs and Inclusionary Zoning Assessment Staff Report to Council

Report Number: 2025-27

Department(s): Building and Planning Services

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Meeting Date: May 26, 2025

Recommendations

1. That the report entitled “Housing Needs and Inclusionary Zoning Assessment” dated May 26, 2025, be received; and,
2. That the Housing Needs and Inclusionary Zoning Assessment report by SHS Consulting, dated May 2025, be received; and,
3. That Council authorize staff to initiate the process to develop a Housing Action Plan; and,
4. That the federal “Housing Needs Assessment – Town of Newmarket” dated May 2025, be received; and,
5. That Council authorize staff to forward the federal Housing Needs Assessment dated May 2025, to the Ministry of Housing, Infrastructure and Communities Canada and to post the report on the Town’s housing webpage by the June 30, 2025 deadline to meet the federal requirements; and,
6. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

This report presents the findings of a combined Housing Needs and Inclusionary Zoning (IZ) Assessment undertaken by SHS Consulting, which analyzes housing needs and affordability in Newmarket and explores the potential housing market impacts of introducing Inclusionary Zoning policies in the Town.

The Housing Needs Assessment (HNA) identified three key housing gaps: a need to increase the supply of purpose-built rental housing; a need to provide affordable

housing options for a range of household sizes; and a need for affordable housing for a range of ages, especially young households and seniors. Regarding the feasibility of introducing IZ policies in Newmarket's Protected Major Transit Station Areas (PMTSAs), the analysis found that requiring 5% of new units to be affordable for 25 years at 80% of market value would be feasible, with only a slight reduction in developer profits for both ownership and rental units. A Peer Review, completed in accordance with the requirements of O. Reg. 232/18, confirmed that both the HN and IZ assessments met regulatory requirements.

The next steps (Phase 4) in the study process include updating the Official Plan to implement the consultant's policy directions and adding IZ-enabling policies as part of the Official Plan Review. Following the adoption of official plan policies, Staff will draft a by-law to give effect to the IZ policies to be presented at a public meeting. The by-law may set requirements and standards not specified in the regulations or policies and provide additional measures and incentives to support the IZ policies.

To qualify for funding under the Canada Community-Building Fund (CCBF), Newmarket must complete an HNA and update it every five years afterwards. Staff and the consultant have completed a draft of the federal template, which will be forwarded to the Ministry of Housing, Infrastructure and Communities Canada (MHICC) by the June 30, 2025 deadline.

Based on the HNA findings and the draft IZ policy directions, Staff recommend initiating the process to develop a Housing Action Plan. Staff also recommend using the HNA to inform updates to other Town plans and strategies.

Purpose

The purpose of this report is to present the findings of a combined Housing Needs and IZ Assessment which provides an analysis of housing needs and housing affordability in the Town and explores the potential housing market impacts of introducing IZ policies.

Background

SHS Consulting Inc. was retained by the Town in 2022 through a competitive RFP process to undertake a Housing Needs and IZ Assessment study in accordance with [Ontario Regulation 232/18](#) as amended. The study was divided into three phases:

- **Phase 1:** Preparation of a draft HNA to determine housing demand, supply, and affordability, and to develop IZ options.
- **Phase 2:** Consultation with local stakeholders and the public, circulating the draft HNA and IZ framework to York Region Housing staff for comments, and undertaking a Peer Review in accordance with O. Reg. 232/18.
- **Phase 3 [We are here]:** Refining the draft HNA and IZ analysis and draft policy directions and presenting the report to Council.

- **Phase 4:** Developing a Housing Action Plan [**future phase**], which will explore tools and incentives to address the identified housing gaps. This phase will also implement the HNA and IZ policy directions through the updated Official Plan.

The draft HNA and IZ report examines current and emerging housing needs in Newmarket, assesses the impact of implementing IZ in the Town's PMTSAs, and represents a significant milestone in the study process (see **Attachment 1**). The HNA identifies three key housing gaps and proposes options to encourage a housing supply that addresses these needs. The IZ component of the report outlines a framework for implementing IZ policies. These gaps and the proposed IZ framework are described in more detail in the Discussion section of this report.

Discussion

Affordable Housing Policy Context in Ontario

In 2016, the Provincial government amended the *Planning Act* through the *Promoting Affordable Housing Act, 2016* (Bill 7), providing municipalities with an IZ tool that could require affordable housing units to be included in residential developments. On June 6, 2019, the *More Homes, More Choice Act, 2019* (Bill 108) received Royal Assent, which directed that IZ could only be applied within PMTSAs or where a Development Permit System (now called a Community Planning Permit System) is ordered by the Minister of Municipal Affairs and Housing. This change came into effect on September 3, 2019.

Additional legislative updates have further shaped the landscape of IZ in Ontario. The *More Homes Built Faster Act, 2022* (Bill 23), introduced reductions and exemptions to the *Development Charges Act, 1997* (DC Act 1997) for additional residential units, affordable housing units, and purpose-built rental units. During the consultation period for Bill 23, the Province also consulted on proposed amendments to the IZ regulation (O. Reg. 232/18) that would include an upper limit on the number of units to be set aside as affordable, a set aside of 5% of the total number of units (or 5% of the total gross floor area of the total residential units, not including common areas), and a maximum period of twenty-five (25) years over which the affordable housing units would be required to remain affordable. A "set aside" is the percentage of units in a development that are required to meet the prescribed affordability criteria.

The consultation document suggested that amendments would also prescribe the approach to determining the lowest price and/or rent that can be required for inclusionary zoning units, set at 80% of the average resale purchase price of ownership units or 80% of the average market rent (AMR) for rental units. As noted before, these proposed amendments would only apply to lands within PMTSAs. On May 12, 2025, the Province released the amending regulation ([O. Reg. 54/25](#)) which puts in place the 5% maximum set-aside rate (of the total residential units or the total gross floor area of all residential units) and 25-year maximum affordability period proposed in Bill 23. The Province did not proceed with including a market-based

definition of “affordable unit” in the regulation. Municipalities still retain the flexibility in defining affordability based on local income and housing data.

The *Affordable Homes and Good Jobs Act, 2023* (Bill 134) included amendments to the DC Act 1997, exempting affordable and attainable residential units from development charges and introducing changes to the definition of affordable housing to reflect local income levels and market conditions. The definition of affordable ownership and rental as set out in the DC Act 1997 is used to determine the eligibility criteria for development charge exemption.

The Provincial Planning Statement (PPS 2024) emphasizes the need for municipalities to provide a diverse range of housing options and densities, including affordable housing, to meet the needs of all residents. It also aligns housing development with infrastructure improvements to create sustainable and investment-ready communities. The PPS 2024 defines affordable ownership housing as the least expensive of either housing where annual accommodation costs do not exceed 30% of gross annual income for low- and moderate-income households, or housing priced at least 10% below the average resale price in the regional market area. Low- and moderate-income households are those in the lowest 60% of the income distribution. Similarly, the PPS 2024, defines affordable rental housing as the least expensive of either a unit where rent does not exceed 30% of gross annual household income for low- and moderate-income renter households, or a unit with rent at or below the AMR in the regional market area.

A more detailed summary of applicable policies and programs from all levels of government can be found in **Attachment 1**.

Ontario Regulation 232/18 and Inclusionary Zoning

Inclusionary Zoning (IZ) is a tool authorized under the *Planning Act* that can be used to require affordable housing units in residential developments of 10 or more units, which can only be applied within PMTSAs or in Community Planning Permit System (CPPS) areas ordered by the Minister. The *Planning Act* and O. Reg. 232/18 as amended by 54/25 direct how a municipality may implement inclusionary zoning policies. The regulation requires that municipalities complete a comprehensive assessment report, which includes an analysis of various factors such as demographics, household incomes, housing supply characteristics, and the financial impact of IZ on the local housing market.

Upon completion of the assessment report, municipalities can set out official plan policies which outline the approach to authorizing IZ. This policy framework may include, but is not limited to:

- the minimum size of development that would be subject to these policies;
- locations subject to these policies;
- the range of households the units would be affordable to; and,

- the period for which affordable housing units would be maintained as affordable.

Following the adoption of official plan policies, Section 35.2 of the *Planning Act* allows municipalities to pass a by-law to give effect to the IZ policies. The by-laws may set requirements and standards not specified in the regulations or policies and provide for additional measures and incentives to support the IZ policies. The adoption of by-laws to implement IZ cannot be appealed to the Ontario Land Tribunal, except by the Minister of Municipal Affairs and Housing. The HNA report is required to be updated every five years to determine whether the official plan policies require amending. A report detailing the performance of the IZ by-law is also required to be prepared every two years and address prescribed matters. As noted in the previous section, the amendment to O. Reg. 218/32 puts in place a maximum set-aside rate of 5% (of the total residential units or the total gross floor area of all residential units) and a 25-year maximum affordability period within PMTSAs.

Housing Needs Assessment Findings: Addressing Key Housing Gaps In Newmarket

Among other matters, the HNA report identifies Newmarket's current and emerging housing needs, determines which segments of the population are in greatest housing need, and how these needs can be addressed. The HNA report identified three (3) key housing gaps:

1) There is a need to increase the stock of purpose-built rental housing in Newmarket's primary rental market.

The recent growth in renter households in the Town has not been met with growth in purpose-built rental units. This has led to higher rent prices and record low vacancy rates, despite an aging rental housing stock and higher rate of required repairs. The current rental market is not affordable to low-income households and finding suitable units is difficult due to availability.

2) There is a need for affordable housing options for a range of ages, including young people looking to form households and seniors looking to age in place.

Recent trends indicate that the affordability of the housing market in Newmarket may be discouraging young people from forming households in the Town. The number of households with a primary maintainer under 25 decreased from 2016 to 2021 and these households were more likely to be low-income. The rising market prices for rental and ownership homes are resulting in a difficult environment for young people to form new households or move to Newmarket, or for seniors to age in place.

3) There is a need to diversify the housing stock to provide housing options for a range of household sizes, from one-person households to family-sized households.

While the average size of households in Newmarket was higher than that of Ontario and the Greater Toronto Area in 2021, gaps exist in the affordable housing supply for households of various sizes. One- and two-person households accounted for

65.2% of household growth from 2016 to 2021, while one-person households show the greatest need for affordable housing accommodations across all measures.

Larger households, such as lone-parent families, also face affordability issues disproportionately. There is a lack of three-bedroom or larger units available in the rental market, and the ownership market is currently unaffordable to many households. The current housing market in Newmarket requires a more diverse range of housing options to meet the existing demand for family-sized dwellings while addressing the growing need for affordable housing for one- and two-person households.

Addressing these gaps by encouraging the development of new rental units through incentives, expanding affordable housing options, and requiring the construction of a variety of housing types, will help ensure that Newmarket's housing market can meet the diverse needs of its residents.

Inclusionary Zoning in Newmarket's PMTSAs: Key Findings and Policy Directions

The IZ analysis examined three PMTSAs: Davis Drive and Yonge Street, Yonge Street and Eagle Street, and Longford Drive and Davis Drive. Based on a review of recent market transactions within Newmarket's PMTSAs, the analysis found that there were not sufficient housing market differences across the study area to require separate analyses or IZ policies that differ by location. The report determined that Newmarket's PMTSAs could be a single housing market. Three different building types were also examined: a 21-storey high-rise, an 11-storey mid-rise, and 3-storey townhouse buildings.

An analysis of the potential impact of IZ in Newmarket's PMTSAs found that requiring 5% of new units to be affordable for 25 years at 80% of market value has a profit impact of between 0.3% and 0.4% for affordable ownership units and between 2.0% and 2.4% for affordable rental units. Comparing these profitability impacts to common contingencies in residential construction projects, the consultant determined that the potential IZ impact on project viability was considered small.

The report recommends a 5% IZ set aside percentage, and a 25-year affordability period based on the changes to the IZ regulation that were consulted on at the time of the Bill 23 IZ amendments. The consultant also recommends that the IZ policies be considered with a "future-oriented perspective". These policies will only be implemented if the overall development project is viable, which may be challenging given other factors such as construction costs, interest rates, tariffs, supply chain issues and the impact on the residential development market. Further details on the prototype building statistics, unit mix and size, parking, and other matters considered in the IZ methodology and analysis can be found in **Attachment 1**.

Attachment 3 summarizes the IZ policy directions from the consultant report.

Peer Review Findings

As required by O. Reg. 218/32, a peer review of the IZ Impact Assessment portion of the report was undertaken. The Town retained Urban Metrics to complete this work in early 2025. While not required by regulation, the consultant also undertook a peer review of the HNA. The Peer Reviewer found the IZ analysis and HNA to meet all regulatory requirements. Finally, Staff circulated the draft HNA and IZ to York Region housing staff for comment. The final version of the HNA and IZ report found in **Attachment 1** addresses the feedback received from the Peer Reviewer.

Definition of “Affordable” In Newmarket

Affordable housing in Newmarket is defined according to key policy frameworks. The PPS 2024 and DC Act 1997 definitions use a blend of income-based and local market-based criteria but prioritize the lesser of the two (see **Table 1**). The York Region Official Plan (YROP 2022) defines affordable housing using income-based thresholds tied to local household income deciles. A rental unit is considered affordable if the rent is no more than 125% of the average market rent for similar units (by number of bedrooms) in the region whereas a home is considered affordable if the total yearly housing cost (e.g. mortgage, taxes and utilities) are no more than 30% of a household’s gross income but only for households that are considered low- to moderate-income.

Whereas the PPS 2024 and YROP 2022 definitions apply to land use planning and are intended to guide updates to local official plans, the DC Act 1997 definition is primarily meant to determine eligibility for development charge exemptions. These definitions reflect different layers of policy that Newmarket must navigate. The Housing Action Plan will clarify which standard – or combination – is most appropriate for the Newmarket context.

Definition Source	Affordable Rent	Affordable Ownership
PPS 2024	The least expensive of: A unit where the rent does not exceed 30 % of the gross annual household income for low- and moderate-income households*; or A unit for which the rent is at or below the average market rent of a unit in the municipality.	The least expensive of: Purchase price results in annual accommodation costs which does not exceed 30% of the gross annual household income for low and moderate incomes, or the purchase price is at least 10% below the average purchase price of a resale unit in the municipality
*Means: For homeowners: households earning less than the top 40% of all household incomes in the municipality. For renters: households earning less than the top 40% of all renter household incomes in the municipality.		
DC Act 1997	1. The rent is no greater than the lesser of:	1. The price of the residential unit is no greater than the lesser of:

	i. the income-based affordable rent for the residential unit set out in the Affordable Residential Units bulletin , as identified by the Minister of Municipal Affairs and Housing and ii. the average market rent identified for the residential unit set out in the Affordable Residential Units bulletin. 2. The tenant is dealing at arm's length with the landlord.	i. the income-based affordable purchase price for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing in accordance with subsection (6), and ii. 90 per cent of the average purchase price identified for the residential unit set out in the Affordable Residential Units bulletin. 2. The residential unit is sold to a person who is dealing at arm's length with the seller.
York Region Official Plan (2022)	A unit for which the rent is at or below 125% of the average market rent of a unit in the regional market area, by bedroom type.	Housing for which the purchase price results in annual accommodation costs not exceeding 30% of gross annual household income for low- and moderate-income households**.
**Means: households earning less than the top 40% of incomes, based on whichever is lower: the regional or local income distribution.		

Table 1 – Affordable Housing Definitions for Rental and Ownership Housing

The Canada Community-Building Fund and Federal HNA Template

The federal government requires that municipalities complete an HNA to qualify for funding under the Canada Community-Building Fund (CCBF) and to inform funding for local housing needs and priorities. Municipalities with populations over 30,000 receiving funding through the CCBF, which includes Newmarket, are required to complete an HNA by the third year of the program. Communities are expected to complete all sections outlined in the federal [HNA template](#) to address gaps between their existing HNA and the federal template. Once completed, HNAs must be updated every five years to remain compliant with federal standards.

In July 2024, the MHICC released the guidance materials for the federal HNA template. The guidance materials provide detailed instructions and best practices so municipalities can assess local housing needs, set targets, and inform infrastructure planning and investment decisions in alignment with federal requirements. The draft Federal HNA for Newmarket is complete in accordance with the federal guidance materials (see **Attachment 2**). The HNA must be submitted to the MHICC in advance of the June 30, 2025 deadline for review. Following any comments from the MHICC and updates to the federal HNA, the Ministry requires municipalities to post the report on their public-facing website by June 30th.

Consultation

Throughout 2024 and early 2025, Newmarket's project team engaged with the community using various methods, including pop-ups in local areas in the Town, public information centres, a focus group, as well as surveys and discussion papers, to understand local housing conditions. The project team also hosted one-on-one virtual sessions with local developers to gain insights into the residential development environment and financial analysis variables specific to Newmarket.

These stakeholders emphasized the Town's role in promoting affordable housing, suggested a concierge service for municipal approvals related to affordable housing, the importance of adequate resourcing for the management of agreements, and the need for incentives to make affordable housing viable in Newmarket. They also indicated that construction costs are unlikely to decrease soon, and parking remains necessary for marketability despite new legislation through the *Cutting Red Tape to Build More Homes Act, 2024* (Bill 185), which restricts official plans and zoning by-laws from imposing minimum vehicular parking requirements in areas designated as MTSAs.

On October 7, 2024, the project team hosted a focus group with local organizations on the topic of equity, diversity, and inclusion in land use planning. Participants emphasized the need for multi-family housing to support aging in place, more complete communities with diverse housing options, and housing accessible to those with disabilities. They also supported more permissive zoning to allow multi-unit dwellings within low-density neighbourhoods near transit to create affordable options outside of PMTSAs. Finally, participants suggested incentives for developers, tenant protections, and support for IZ policies to create more inclusive communities in Newmarket.

In early 2025, Staff launched a new housing webpage, www.heynewmarket.ca/housingaffordability, to provide the public with information on housing matters, active development applications which propose affordable housing, and initiatives for diverse and inclusive housing options in Newmarket. The federal version of the HNA and all future reports and engagement activities related to the housing portfolio will be posted on the Town's housing webpage.

Next Steps

Housing Action Plan

A Housing Action Plan which implements the HNA and IZ policy recommendations is envisioned as forming Phase 4 of this study. The Housing Action Plan will explore various tools and incentives to encourage and support the provision of various housing types and tenures in the Town. The Housing Action Plan will also include stakeholder engagement to discuss and evaluate potential tools and incentives to deepen housing affordability in Newmarket.

Official Plan Review

The next phase of work will align with Phase 4 of the Official Plan Review and involve implementing the draft policy directions from the consultant's HNA and IZ report to enable Inclusionary Zoning in the Town's PMTSAs through the new Official Plan.

Integration with Other Municipal Strategies

Another next step could include using the HNA findings to inform Newmarket's other strategies and plans, such as the Economic Development Strategy and future climate plans. For example, by proactively addressing workforce housing needs (e.g. newcomer entrepreneurs) and developing streamlined processes and incentives that support affordable housing, Newmarket can foster economic growth and enhance its commitment to building complete communities. Additionally, incorporating sustainable housing practices and resilience strategies into future town-wide climate plans can help Newmarket achieve its climate goals while reducing inequality in areas that may be more vulnerable to the impacts of a changing climate.

Conclusion

Newmarket's approach to addressing housing affordability through comprehensive HN and IZ assessment reports and robust stakeholder consultation demonstrates the Town's commitment to creating diverse and inclusive housing options. Phase 4 will continue this dialogue and implement the HN and IZ Assessment recommendations and policy directions, including the development of a Housing Action Plan which leverages available tools and incentives, and explores funding streams to deepen affordability in Newmarket.

Council Priority Association

This report aligns with the following Council Priority: Diverse, Welcoming, and Inclusive Community

Human Resource Considerations

None.

Budget Impact

The Federal HNA is a requirement for receiving the Canada Community-Building Fund. Should the report not be posted on the Town's housing webpage by June 30, 2025, Newmarket may lose eligibility for receiving this fund.

Funding for the implementation of the Housing Action Plan will be allocated from the Town's Capital Budget.

Attachments

Attachment 1 – Town of Newmarket Housing Needs and Inclusionary Zoning Assessment Draft Report, May 2025

Attachment 2 – Housing Needs Assessment Town of Newmarket (Federal Report, 2025)

Attachment 3 – Inclusionary Zoning Requirements Under O. Reg 232/18 and Summary of Proposed Policy Directions

Submitted By

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Approval for Submission

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