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West End Home Builders' Association

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WE HBA Submission: Proposed amendment to Ontario Regulation 232/18 - Inclusionary Zoning to pause implementation in three municipalities until July 1, 2027

The West End Home Builders' Association ("WE HBA") is the voice of the land development, new housing and professional renovation industries in Hamilton, Burlington, and Grimsby. WE HBA represents 300 member companies made up of all disciplines involved in land development and residential construction. In the Hamilton CMA in 2024, residential construction contributed over \$4.6 billion in investment value and provided over 21,000 jobs paying about \$1.6 billion in wages¹. These jobs and investments now stand in grave jeopardy as the residential construction industry across the GTAH plunges into the most severe downturns in decades.

WE HBA appreciates the opportunity to provide comments on the Province's regulatory amendments under Proposal 26-MMAH001. WE HBA supports the Ontario government's housing supply objectives and agrees that building more homes of all types and tenures is the only sustainable path back to affordability. At the same time, inclusionary zoning ("IZ") is a complex, market-sensitive tool with significant risk. The Province has an important role in ensuring that municipal IZ programs do not unintentionally suppress housing supply, particularly in a market environment where feasibility is already severely constrained.

Inclusionary Zoning is not "free housing", but rather it is a cost that must be funded

Inclusionary zoning is frequently promoted by some advocates as a mechanism to deliver affordable housing without public funding. However, there is **no such thing as free affordable housing**, there is always a cost. Mandatory IZ works by requiring market units to cross-subsidize the delivery of below-market units. In practice, without meaningful offsets, the cost is transferred to:

- **New homebuyers:** through higher purchase prices, and/or
- **New renters:** through higher rents on market units, and/or
- **The housing supply pipeline:** through projects being delayed or cancelled.

This is an inequitable outcome, particularly when the burden is placed on first-time buyers and new renters, many of whom are already struggling with housing costs. WE HBA strongly believes that if a municipal affordability strategy requires making every market home more expensive, they are not solving the housing

¹ CHBA Economic Impacts 2024 Fact Sheet, Hamilton CMA.



crisis, but rather redistributing it to young first-time home buyers, downsizing seniors and people struggling to pay their rent. In fact, IZ is the only affordable housing financial tool that makes housing more expensive by design. WE HBA has consistently cautioned that inclusionary zoning must be treated as a partnership model (which would require municipalities to provide meaningful funding support), not a mechanism to download municipal housing policy costs onto the next generation of homebuyers.

The economics are clear: mandatory IZ suppresses development

The NYU Furman Center's¹ economic analysis of mandatory inclusionary zoning is instructive. The Furman Center explains that IZ only functions when market-rate revenue can generate enough financial return for the overall project, meaning market units must be able to cross-subsidize affordable units while still maintaining viability. Such a policy approach in a strong market may maintain economic viability, however it still results in upward pressure on pricing. In other words: strong markets may be able to absorb IZ, particularly when paired with financial incentives, but weaker or transitional markets cannot, and IZ risks stalling projects and reducing overall housing supply.

Hamilton's current reality: feasibility is already at a crisis point

In Hamilton, WE HBA's members are experiencing extreme feasibility pressures and worsening market conditions. The City's own *Inclusionary Zoning Market Feasibility Study* process (including urbanMetrics work, addendum updates, and NBLC peer review) aligns with what our membership is seeing in real time: projects are being delayed and cancelled, and the industry is facing workforce reductions at precisely the moment Ontario needs more housing starts.

Hamilton is also uniquely challenged due to its industrial past: intensification often involves significant brownfield remediation costs, and layering affordability requirements onto already marginal projects further undermines the viability of intensification along strategic corridors such as the Hamilton LRT where the City is studying PMSTAs. While we appreciate that the province is proposing an amendment to Ontario Regulation 232/18 to pause IZ implementation in three municipalities (Toronto, Kitchener, and Mississauga) until July 1, 2027; we are concerned that other municipalities such as Hamilton may continue to advance their own IZ agendas. Furthermore, the current economic downturn in the housing market is not going to be resolved in the next eighteen months, thus the July 1, 2027 date is of concern.

IZ cannot create meaningful affordability without market supply, and supply is the priority

WE HBA's submission on Hamilton's Housing Needs Assessment noted clearly:

- Inclusionary Zoning is not a catch-all tool to solve affordability.
- The only sustainable answer is to increase housing supply of all types, broadly across the City.
- If offsets are insufficient or the program is too onerous, the added cost is simply layered into the project, driving up market costs and/or halting delivery, even in a strong market environment.

¹ NYU Furman Centre: Creating Affordable Housing Out of Thin Air: The Economics of Mandatory Inclusionary Zoning in New York City



Further, because IZ is market-based, it cannot meaningfully deliver non-market housing unless paired with a significant volume of new market housing construction. Without the market pipeline, there is no corresponding growth in affordable units. WE HBA notes that the market pipeline across South-Central Ontario has evaporated.

WE HBA supports provincial standardization that protects supply and improves certainty

WE HBA has previously supported a provincial approach that improves certainty, consistency, and feasibility for IZ frameworks inside PMTSAs. From an industry perspective, predictability matters. Projects are financed years in advance. When affordability requirements shift unpredictably or are set too aggressively, developers can only respond by postponing development or exiting projects altogether, which reduces housing supply. We agree with the provincial approach in the proposed regulatory amendment that now is not the time for inclusionary zoning to be implemented. We do however note that it is not the “timing” of this policy tool that is the problem, but rather that the tool itself is fundamentally flawed, and should not be implemented in Ontario at all.

Recommended improvements to the proposed regulation

WE HBA recommends that the final regulation explicitly protect housing starts by making the following adjustments. Our preferred approach is to prohibit the use of IZ in its entirety. Our secondary approach would be to support the proposed regulatory amendment, however with a longer timeline into 2028, AND that IZ must be paired with meaningful municipal offsets or financial incentives to remain economically viable, including (at minimum): reductions or deferrals of municipal fees/charges; property tax tools; and enabling off-site delivery/cash-in-lieu where it improves outcomes and operations.

WE HBA further notes our own Hamilton-specific consultation concerns from the past, which raised a significant concern: municipalities should not deliberately **under-zone** intensification areas in order to “unlock” density in exchange for financial concessions. This runs counter to supply objectives and sound planning policy. If a municipality prioritizes intensification, land should be zoned appropriately to attract investment and density.

Conclusion

Ontario’s housing crisis is fundamentally a housing supply crisis. Inclusionary zoning can only contribute in limited circumstances and only when designed with economic reality in mind. Without strong feasibility safeguards and meaningful financial offsets, mandatory IZ risks doing the opposite of what is intended: reducing housing starts, increasing market costs, and further undermining affordability.

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