



The Corporation of the City of Burlington

INCLUSIONARY ZONING INITIAL REPORT

December 2021



What is Inclusionary Zoning?

Inclusionary zoning (IZ) is a policy tool available in many jurisdictions across Canada, the United States and beyond. Generally, Inclusionary Zoning is a policy tool that can be used to mandate or incentivize developers to provide affordable housing units. In Ontario, Inclusionary Zoning is a planning tool that enables municipalities to secure affordable housing units as prescribed in the *Planning Act*.

Section 16(4) of the *Planning Act* contains express permission for municipalities to implement Inclusionary Zoning under the provisions as outlined in Section 35.2 of the *Planning Act*. These provisions have existed since 2016, when the Province of Ontario passed the *Promoting Affordable Housing Act, 2016* (through Bill 7). Since then, there have been a number of legislative and policy changes that have impacted the implementation of Inclusionary Zoning.

The Provincial Regulation for Inclusionary Zoning (Regulation 232/18) outlines what the City must address in its Official Plan policies for Inclusionary Zoning and the information that must be included in the Municipal Assessment Report. The Municipal Assessment Report must include information related to housing need and demand and the potential impacts of inclusionary zoning on the housing market and on the financial viability of development. Provincial legislation requires that the City update this report every 5 years.

On September 3, 2019, the Province of Ontario made changes to the legislation for inclusionary zoning through Bill 108, *More Homes, More Choice Act*. Based on this legislative framework, the *Planning Act* restricts where in a municipality Inclusionary Zoning can be applied to Protected Major Transit Station Areas and areas where a Community Planning Permit System has been ordered by the Minister of Municipal Affairs and Housing.

Where can Inclusionary Zoning be Applied in Burlington?

In the City of Burlington, the Inclusionary Zoning policy tool can be applied in its three Protected Major Transit Station Areas (PMTSAs): Aldershot GO, Appleby GO and Burlington GO. These areas have been identified as PMTSAs through the approval of Regional Official Plan Amendment 48 by the Minister of Municipal Affairs and Housing and cannot be appealed.

Protected Major Transit Station Areas are a municipal tool that support higher order transit infrastructure around Major Transit Station Areas. The tool restricts appeals of certain required Official Plan policies and zoning such as transit-supportive densities and uses. The City of Burlington is now in the process of developing policies for these areas. Currently, the City of Burlington's Housing Strategy project and MTSA project teams are working together to examine the use of Inclusionary Zoning in the Protected MTSA's. Should the findings of the Municipal Assessment Report determine that the use of the Inclusionary Zoning policy tool is feasible in one or more of Burlington's PMSA's the implementing Official Plan policies will be completed as part of the MTSA project by June 2022 with the Zoning Bylaw Amendments and other implementation strategies to follow at a later date.

Benefits and Limitations of Inclusionary Zoning

The primary benefit of Inclusionary Zoning is that it can contribute to the increased supply of housing that is affordable to a broader range of income levels while continuing to encourage market housing development by supporting a diverse range of housing supply to create a more inclusive, complete and equitable community. It also provides an opportunity to increase this supply without direct government funding.

The Inclusionary Zoning tool is limited in Ontario in that it can only be applied within PMTSAs where the Municipal Assessment Report demonstrates that the tool would be financially viable from a market perspective. The results of the Municipal Assessment Report could find that Inclusionary Zoning may not be an appropriate tool in one or all of Burlington's PMTSAs from a market perspective; and may require phasing in over a longer period of time in order to account for and address market viability.

Further, there may be challenges regarding the resources required to implement and monitor the Inclusionary Zoning Official Plan and Zoning by-law policies as well as the management of the affordable units over the long term.

What is the Process for Implementing Inclusionary Zoning?

Should the Municipal Assessment Report identify that Inclusionary Zoning is feasible in one or more of Burlington's PMTSA's the following process would be undertaken to implement an Inclusionary Zoning by-law as set out in the Planning Act and Provincial Regulation 232/18.

Within Ontario, in order to implement an Inclusionary Zoning by-law, a municipality's Official Plan must:

- Contain policies authorizing and enabling inclusionary zoning and;
- Have completed area specific plans for it's PMTSAs.

Additionally, [Ontario Regulation 232/18](#) establishes specific regulations for implementing Inclusionary Zoning. These are as follows:

An assessment report to inform the development of Official Plan policies that includes the following information:

1. An analysis of demographics and population in the municipality
2. An analysis of household incomes in the municipality
3. An analysis of housing supply by housing type currently in the municipality and planned for in the official plan
4. An analysis of housing types and sizes of units that may be needed to meet anticipated demand for affordable housing
5. An analysis of the current average market price and the current average market rent for each housing type, taking into account location in the municipality
6. An analysis of potential impacts on the housing market and on the financial viability of development or redevelopment in the municipality from inclusionary zoning by-laws,

including requirements in the by-laws related to the matters mentioned in clauses 35.2 (2) (a), (b), (e) and (g) of the Act, taking into account.

- I. Value of land,
 - II. Cost of construction,
 - III. Market price,
 - IV. Market rent,
 - V. Housing demand and supply.
7. A written opinion on the analysis described in paragraph 6 from a person independent of the municipality and who, in the opinion of council of the municipality, is qualified to review the analysis.

Official Plan policies that set out the approach to authorize Inclusionary Zoning, including:

1. The minimum size, not to be less than 10 residential units, of development or redevelopment to which an inclusionary zoning by-law would apply
2. The locations and areas where inclusionary zoning by-laws would apply
3. The range of household incomes for which affordable housing units would be provided
4. The range of housing types and sizes of units that would be authorized as affordable housing units
5. The number of affordable housing units, or the gross floor area to be occupied by the affordable housing units, that would be required
6. The period of time for which affordable housing units would be maintained as affordable
7. How measures and incentives would be determined
8. How the price or rent of affordable housing units would be determined
9. The approach to determine the percentage of the net proceeds to be distributed to the municipality from the sale of an affordable housing unit, including how net proceeds would be determined
10. The circumstances in and conditions under which offsite units would be permitted
11. The circumstances in which an offsite unit would be considered to be in proximity to the development or redevelopment giving rise to the by-law requirement for affordable housing units
12. The procedure for monitoring and ensuring that the required affordable housing units are maintained for the required period of time

Reports to Municipal Council

1. For the purposes of subsection 35.2 (9) of the Act, if a council of a municipality passes an inclusionary zoning by-law, the council shall ensure that a report is prepared and made publicly available at least every two years.
2. The council shall ensure that each report describes the status of the affordable housing units required in the by-law, including the following information for each year that is the subject of the report:
 - a. The number of affordable housing units.

- b. The types of affordable housing units.
- c. The location of the affordable housing units.
- d. The range of household incomes for which the affordable housing units were provided.
- e. The number of affordable housing units that were converted to units at market value.
- f. The proceeds that were received by the municipality from the sale of affordable housing units.

Exemptions for Inclusionary Zoning By-Law

- An Inclusionary Zoning by-law does not apply to a development or redevelopment containing fewer than 10 residential units;
- the development or redevelopment is proposed by a non-profit housing provider or is proposed by a partnership in which,
 - I. a non-profit housing provider has an interest that is greater than 51 per cent, and
 - II. a minimum of 51 per cent of the units are intended as affordable housing, excluding any offsite units that would be located in the development or redevelopment

The above listing provides a general overview of the regulation, for the complete list of requirements please see [Ontario Regulation 232/18](#).

Inclusionary Zoning Process in Burlington

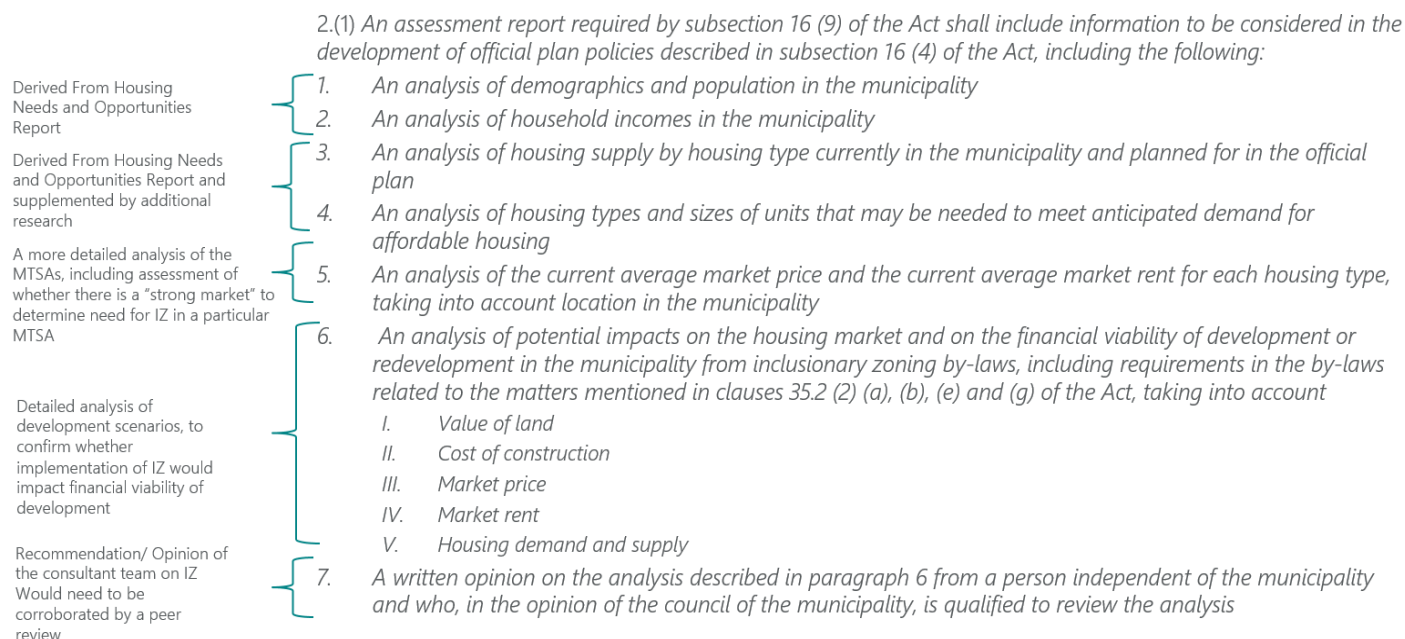
Steps Underway

Municipal Assessment Report

The Housing Strategy project includes the preparation of an Inclusionary Zoning Municipal Assessment Report in accordance with the regulations set out under the *Planning Act*. This work is currently underway and some of the findings in the Housing Needs and Opportunities Report will be used to inform the Municipal Assessment Report, as shown in **Figure 1**.

Figure 1: IZ Municipal Assessment Requirements and the source of data

Inclusionary Zoning- O. Reg 232/18



Future Work in 2022

The City's MTSA Area Specific Planning project work is currently underway and continues to build on the former Mobility Hubs study that began in 2017 and was paused in 2019. This study will complete the required technical studies to support the completion of three area specific plans for each of the City's PMTSAs (Aldershot GO, Appleby GO, and Burlington GO). This project will bring forward implementing Official Plan policies in mid year 2022 and Zoning By-law Amendments and other implementation strategies by December 2022.

In April 2022, the Housing Strategy Project will deliver a peer reviewed Municipal Assessment Report that will contain recommendations related to the feasibility of Inclusionary Zoning in each of the PMTSAs related to the findings of the Municipal Assessment Report. It is these recommendations in the Municipal Report that will inform the work of the MTSA project in determining if Inclusionary Zoning is feasible in any of Burlington's PMTSAs and to deliver Official Plan and Zoning By-law Amendments that set out the approach to authorize Inclusionary Zoning within the PMTSAs.

Case Studies and Best Practice Review

As part of the work undertaken in phase 2 of the Housing Strategy project the Housing Strategy Team completed a review of promising practices. The review of these promising practices was designed to provide examples about what other jurisdictions around the world are doing to address housing, and what could be implemented by a lower-tier municipality within a two-tier system, such as Burlington. This work considered a review of various Inclusionary Zoning programs in Ontario, Canada and the

United States. The findings of this review were first published as Appendix A to the City's report [PL-48-21: City of Burlington Housing Strategy, Housing Needs and Opportunities Report](#) under Appendix E, Section 1.1.1. The contents of Appendix E, Section 1.1.1 are reproduced below for ease of reference.

Within the context of Ontario, it is important to note that with the exception of the City of Toronto (implemented in November 2021), there are no municipalities that have fully implemented Inclusionary Zoning, as the tool is still relatively new.

In North America, there are a number of examples that show that this is an appropriate tool for market intervention/ regulation, including within Canada's three largest cities as well as major metropolitan areas in the United States (New York, San Francisco, etc.).

The findings of this review show that in Ontario, it is too early to tell what the outcome of the application of an Inclusionary Zoning by-law would be as the tool is new to the province. However, the Inclusionary Zoning programs that have been most successful tend to be located in the United States where Inclusionary Zoning programs are implemented with funding from a variety of levels of government to incentivize the programs.

Inclusionary zoning in Canada

Table 1 provides a summary of municipalities that have adopted inclusionary zoning policies in Canada. Some of these examples are located outside of Ontario, and therefore are not subject to the same *Planning Act* requirements for Inclusionary Zoning and may not be directly comparable to Burlington (Montreal, Vancouver, Richmond). However, all case studies presented in this section do provide an example of what inclusionary zoning policies can achieve.

Table 1: Inclusionary Zoning Case Studies in Canada

Municipality	Affordable Housing Requirement	Threshold for Implementation
Markham, ON	5% of GFA in Rented Condominiums 10% of GFA in Ownership Units	100 Units or more
Richmond Hill, ON	Proposed: 5-10% in Rented Units 10-30% of GFA for Ownership Units	TBD
Toronto, ON	5% - 7% affordable rental for Condominium Projects increasing to 8%-16% by 2030 7% - 10% affordable ownership for Condominium Projects increasing to 11% - 22% by 2030 5% for Purpose-Built Rental from January 1, 2026 in IZ Market Area 1 and 3% in IZ Market Area 2	100 units or 8,000 m ²

Ottawa, ON	Proposed: 10% of GFA in Rented Condominiums 15% of GFA in Ownership Units	50 Units or more
Montreal, QC	20%	450m ² (about 5 units)
Vancouver, BC	20% - 30% of Residential Floor Space	Developments larger than 8,000 m ² or having more than 45,000 m ² of new floor area
Richmond, BC	10% of Total Residential Floor Space	60 units

Additional details on these highlighted case studies is outlined below.

AFFORDABLE AND RENTAL HOUSING STUDY – MARKHAM, ONTARIO

The City of Markham's Affordable and Rental Housing Study (the Study) was approved by City Council in July 2021. The Study put forward 35 policy framework recommendations and has selected five for prioritization. These five include developing an Inclusionary Zoning By-law for major transit station areas. Similar to Burlington, Markham is a lower-tier municipality that pursued policies and programs to address rental and affordable housing within the city.

The Study develops and recommends incorporation of inclusionary zoning policies for the City of Markham Official Plan as well as an inclusionary zoning by-law for Major Transit Station Areas (MTSA) in Markham. The Study recommends monitoring the impact of these policies every five years in order to line up with the requirements of the Planning Act for an updated needs assessment at least every 5 years. Additionally, the inclusionary zoning regulation required a status report be provided to Council every two years to track performance.

The recommended policy would be applicable to all developments with 100 units or more in MTSA's. The requirements included in this recommendation are that 5% of the residential gross floor area for condominium development, where the contribution is in the form of units rented, or 10% of the gross floor area, for ownership developments be affordable units. The recommendations target households with incomes in the 3rd to the 6th income deciles (\$45,988 to \$122,290 in 2018) depending on the unit type. Additionally, the Study includes a policy recommendation to mandate that a minimum of 40% of affordable units provided be two- and three-bedroom units to meet the needs of larger households. All affordable units provided through inclusionary zoning are recommended to be kept affordable in perpetuity.

THE CITY OF RICHMOND HILL AFFORDABLE HOUSING STRATEGY – RICHMOND HILL, ONTARIO

The City of Richmond Hill is updating its current Official Plan to guide land use and development to 2041 and is targeting 2022 to complete this update. Within this update, inclusionary zoning (IZ) policies and an IZ by-law have been recommended in order to follow Provincial policies and direction in the provision of affordable housing in Protected Major Transit Station Areas (PMTSA). This by-law would include development standards for the affordable unit provided, whether measures and incentives will be

provided, what these measures and incentives would be, requirements that prices/leases be affordable when they sold/leased, requirement for any agreements to be entered into with the City and procedures for monitoring and maintaining units to be affordable over the affordability period. The needs assessment that led to the recommendations for these policies will need to be updated every five years in order to assess whether the Official Plan policies require further update.

While the City has yet to adopt these policies and set affordable housing requirements, the background reports submitted to the City noted that affordable ownership units show potential for inclusion rates of up to 30% in PMTSAs with higher and moderate density increases in high-rise developments. Mid-rise buildings were shown to be able to support the inclusion of affordable ownership units of approximately 10%. For rental units, high-rise developments show potential for inclusion rates of between 5-10%, depending on the expected residential density increases.

INCLUSIONARY ZONING – TORONTO, ONTARIO

Section 3.2.1.p of Toronto's Official Plan includes a policy which requires that developments in large sites greater than five hectares where an increase in height and/or density is sought be required to provide 20% of the additional residential units as affordable housing. This contribution can be in the form of affordable units constructed on-site or the conveyance of land in the development or elsewhere to the City for the purpose of affordable housing. From 2013 to 2017, over \$31.5 million and 500 new affordable housing units had been secured through this policy.

In November 2021, the City of Toronto adopted an Inclusionary Zoning Official Plan Amendment, Zoning By-law Amendment, and Implementation Guidelines. The inclusionary zoning policy will apply to projects with over 100 units or 8,000 square metres in identified inclusionary zoning areas. It identifies three IZ Market Areas with requirements for affordable rental housing ranging from 5%-7% beginning in 2022 gradually increasing to 8%-16% by 2030. Requirements for affordable ownership in condominium developments range from 7%-10% in 2022 and gradually increasing to 11%-22% by 2030.

The implementation guidelines require 25% of IZ affordable housing units be two- and three-bedroom units and at least 10% of IZ affordable housing units be three-bedroom units. All units also have to meet the City's Affordable Rental Housing Design Guidelines. These units have to have rents or affordable house prices, as defined by the City, for at least 99 years from the date of first residential occupancy of the unit.

A transition period is in place where applications for a Zoning By-law Amendment, site plan or minor variance are completed before September 18, 2022 are exempt.

THE CITY OF OTTAWA OFFICIAL PLAN UPDATE – OTTAWA, ONTARIO

As a part of the update to its Official Plan, the City of Ottawa received recommendations for the implementation of inclusionary zoning policies and by-laws. In order to direct attention to the needs of households at and below the 6th income decile, as well as other vulnerable groups, the City included policies authorizing Inclusionary Zoning (IZ) policies as a priority measure in accordance with section 16(4) of the Planning Act.

Affordable rental housing was defined in the Official Plan as the least expensive of a unit for which rent does not exceed 30% of gross annual household income for low and moderate income households, or 100% of the Average Market Rate (AMR) by dwelling unit type. Affordable ownership housing was defined as a dwelling unit that is priced at or below an amount where the total monthly shelter costs do not exceed 30% of the gross annual income for households within the moderate-income range. This income ranges from the 30th to 60th percentiles of households, depending on the dwelling unit size.

The inclusionary requirements for affordable housing were included in these proposed changes. Within Tier A and Tier B market areas, purpose-built rentals must provide 10% of the gross floor area (GFA) for affordable rental units, while ownership housing buildings must provide 15% of the GFA as affordable housing units. These units must stay affordable for a minimum of 99 years. All buildings with more than 50 dwelling units, other than non-profit owned and operated housing, will be subject to these regulations.

BY-LAW FOR A DIVERSE METROPOLIS – MONTREAL, QUEBEC

The City of Montreal has introduced a by-law to increase the supply of social, affordable and family housing in the city. This by-law was adopted on January 26, 2021 and came into force April 1, 2021. Upon adoption, this by-law replaced the Strategy for the Inclusion of Affordable Housing in New Residential Projects, which originally was adopted in 2005. While the Strategy was an incentive measure, this by-law makes the contributions mandatory. In addition, the 2005 Strategy applied to projects of 100 units or more with a 15% requirement each for social and affordable housing. In comparison, the requirements of this new by-law have been increased to 20% with family housing added.

The by-law applies to all housing projects of 450 m² or more (about five units) and requires builders to sign an agreement with the City to improve the supply of social, affordable and family housing as a condition for obtaining a construction permit.

The by-law requires three categories of housing: social housing (which is defined as government-subsidized housing), affordable housing (where the price or rent is below the limits set out in the by-law which is equal to or slightly lower than market prices for modestly designed housing units), and family housing (which are units with at least three bedrooms with a gross floor area of 86 m² in the downtown or 96 m² in the periphery; prices may be social, affordable or market; may be rental or ownership).

The by-law also outlines different requirements for the downtown, central neighbourhoods and periphery, and outskirts of the city with an average contribution of 20% each for social, affordable and family housing. In addition, the by-law allows offsite contributions for social housing outside of the downtown with a greater percentage requirement (22%) if the units are provided offsite. Additionally, the by-law allows financial contributions for social and affordable housing units.

INCLUSIONARY ZONING – VANCOUVER, BRITISH COLUMBIA

Vancouver first introduced the Housing Vancouver Strategy in 1988 and required that developments with more than 200 units provide a parcel of land large enough to accommodate a minimum of 20% of the units as family-oriented social housing. Recent changes to the policy in 2019 include extending the

requirement to other large developments, those larger than 8,000 m² (2 acres) or having more than 45,000-m² of new floor area. Other changes include taking 20% as low-end-of-market rental housing and affordable ownership options if funding is not available to secure the 20% as social housing for low-income households.

Inclusionary zoning is one of the City's primary delivery streams for social and supportive housing. It requires affordable housing contributions ranging from 20% to 30% of residential floor space in exchange for additional density in new residential developments. This tool has been used as part of recent Community Plans, such as the ones for the West End and Cambie Corridor. Inclusionary housing units are required to be built to the City's specifications and transferred to the City in Air Space Parcels.

Vancouver typically leases the units delivered through this program to non-profit housing operators on a 60-year lease, with a pre-paid lease payment determined by the rent revenue at the targeted level of affordability. Moving forward, rent levels will be focused on households with incomes in the \$30,000 to \$80,000 range with deeper levels of affordability if funding from other partners is available. The revenue from these pre-paid leases will be used to fund land acquisition in the Affordable Housing Endowment Fund or to deepen affordability on other sites.

As of December 2017, 21 inclusionary housing projects have been approved with a total of approximately 1,500 social housing units for low- and moderate-income households. In addition, in 2018, the City approved a total of 1,938 units of social and supportive housing and 29% (562 units) of these units were created through inclusionary zoning requirements. In the 2019 – 2022 Capital Plan, the City budgeted \$400 million from inclusionary zoning contributions for 1,200 to 1,600 planned affordable housing units.

LOW-END MARKET RENTAL (LEMR) PROGRAM – RICHMOND, BRITISH COLUMBIA

As part of Richmond's Affordable Housing Strategy, new residential developments that have more than 60 units are required to dedicate a minimum of 10% of their total residential floor space as LEMR units in exchange for a density bonus. All multi-family or mixed-use developments with less than 60 units are required to make a cash contribution at specified rates to be adjusted on a bi-annual basis. Units secured through this program are meant to provide rental housing for low- and moderate-income households earning between \$34,000 and \$58,000 annually.

This program was also part of the 2007 Strategy and required a 5% contribution and was applicable to projects with 80 units or more. From 2007 to 2017, the City secured 620 LEMR units through this program. City Council approved updates to the program in July 2017, which includes increasing the required affordable housing contribution from 5% to 10%. The impact of this change is seen in the fact that in 2018, the City secured 168 units compared to an annual average of 45 units from 2007 to 2017.

The program also requires the inclusion of family-friendly housing units as part of the LEMR contributions. In 2018, a total of 100 family-friendly two- and three-bedroom units were secured through this program, which represents almost 60% of the total LEMR units secured in 2018.

The City also accepts secondary suites in single family developments as part of an applicant's affordable housing contribution. All single family and townhouse developments are to provide a secondary suite in up to 50% of the units and contribute cash for the remainder at a rate set on a bi-annual basis. In 2018, 24 secondary suites were secured through this process.

In 2018, the City secured \$1.8 million through developer cash-in-lieu contributions, exceeding the target in the Affordable Housing Strategy of \$1.5 million annually. These contributions resulted in the City being able to support the development of 575 non-market housing units between 2007 and 2018. In 2019 and 2020, the City secured \$2.76 million and \$560,000 in cash-in-lieu contributions, respectively. Additionally, the City secured 47 LEMR units through developer contributions.

Inclusionary zoning in the United States

A recent study undertaken in the United States found 886 jurisdictions with inclusionary housing programs located in 25 states at the end of 2016, with the majority located in New Jersey, Massachusetts, and California. While data on the impact of the policy was not available for all jurisdictions, the study found that 373 jurisdictions raised a total of \$1.7 billion in impact or in-lieu fees. In addition, jurisdictions with this policy reported creating a total of 173,707 units of affordable housing, which excludes the additional units created through the \$1.7 billion in fees¹.

Of the 373 inclusionary housing programs analyzed, 71% of programs applied to the entire jurisdiction. The most common type was mandatory, and policies applied to both rental and ownership developments in 61% of programs. In addition, about 90% of programs had an affordability period of at least 30 years. The most common approaches for providing affordable units were through on-site development (90% of programs analyzed) or through paying in-lieu fees or providing off-site affordable units (about 50% of programs). The most common incentives offered to developers were density bonuses (78%), other zoning variances (44%), or fee reductions or waivers (37%).

Table 2 provides an outline of case study examples in the USA and, although these may not be directly comparable to Burlington, they provide insight into programs that have been in place for an extended period of time and examples of what inclusionary zoning policies can achieve.

Table 2: IZ Case Studies in the United States

Municipality	Affordable housing requirement	Threshold for implementation
New York, NY	20% - 30%	10 units or 12,500 square feet
San Francisco, CA	18% for large projects	Small projects = 10 – 24 units

ADDITIONAL DETAILS ON THESE HIGHLIGHTED CASE STUDIES IN OUTLINED BELOW. INCLUSIONARY HOUSING PROGRAM – NEW YORK CITY, NY

New York City has several inclusionary housing programs, the first of which was created in 1987 and is applicable to specific districts (R10 and R10-equivalent commercial districts). New developments in these districts are permitted to increase maximum floor area ratio (FAR) from 10 to a maximum of 12 by providing affordable housing for low-income families (which is defined as 80% of Area Median Income

¹ E. Thaden and R. Wang (2017). Inclusionary Housing in the United States. Lincoln Institute of Land Policy.

and below). Each square foot of affordable housing receives between 1.25 and 3.5 square feet of bonus floor area, depending on whether the affordable housing is provided on-site or off-site; through new construction, rehabilitation, or preservation; and whether it receives public funding. As most of these districts are in Manhattan that is where the greater proportion of units are being created. As of February 2017, the program has created about 4,000 units of affordable housing.

Another program in New York City is the Inclusionary Housing Designated Areas program, which was created in 2005 for medium- and high-density areas rezoned for new housing opportunities. Within these districts, the base FAR permitted is lower than the standard FAR for the district if the development does not participate in the Inclusionary Housing Program whereas the maximum FAR available with the bonus is higher than the standard FAR. In general, the increase in the FAR is about 33% if 20% of the floor area, excluding ground floor non-residential floor area, is provided for affordable housing. Affordable housing created through this program is required to remain affordable in perpetuity for households at or below 80% of Area Median Income (AMI). As of February 2017, the program has created or preserved over 7,000 units of affordable housing.

Both the R10 and Designated Area programs are voluntary. However, in 2016, the City created a Mandatory Inclusionary Housing (MIH) program that applies to neighbourhood rezoning and private applications that significantly increase residential capacity. This program applies to developments, enlargements and conversions in designated areas which are over 10 units or 12,500 square feet. The program includes four options which City Council and the Commission will apply when creating new MIH areas. These options are as follows.

- Option 1 – a 25% contribution at an average of 60% AMI with a minimum of 10% at 40% AMI
- Option 2 – a 30% contribution at an average of 80% AMI
- Deep Affordability Option – a 20% contribution at an average of 40% AMI
- Workforce Option – a 30% contribution at an average of 115% AMI with a minimum of 5% at 70% AMI and 5% at 90% AMI.

In addition, the program increases the requirements by 5% for developments that provide the required affordable units off-site. Projects adding less than 25 units and 25,000 sq. ft. are eligible to pay a fee in lieu. These funds are reserved for affordable housing purposes within the area where the development is located.

INCLUSIONARY HOUSING PROGRAM – SAN FRANCISCO, CA

San Francisco's program, which has been in effect since 2002, requires new residential projects of 10 or more units to pay an Affordable Housing Fee or provide a percentage of the units as below market rate (BMR) units at a price that is affordable to low or middle income households. These units can be provided on- or off-site. Households have to meet specific requirements, including income requirements to be eligible for units. Key requirements of the program were significantly revised in 2017 and these changes include different requirements for small projects (i.e. 10-24 units) and large projects (25+ units).

For small projects, the program requires 12% of units at 55% of AMI (for rental) or 80% of AMI (for ownership) or an off-site contribution or in-lieu fee equivalent to 20% of project units.

For large projects, the program requires a total of 18% for rental projects with 10% of units at 55% of AMI, 4% of units at 80% AMI and 4% of units at 110% AMI or an off-site contribution of fee equivalent to 30% of project units. For ownership projects, a total of 20% of units is required. Of these units, 10% should be at 80% of AMI, 5% at 105% AMI and 5% at 130% AMI or an off-site contribution of fee payment equivalent to 33% of project units.