



Town of Newmarket  
395 Mulock Drive P.O. Box 328,  
Newmarket, Ontario, L3Y 4X7

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## **Proposed Amendment to Ontario Regulation 232/18 - Inclusionary Zoning Information Report**

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Department(s): Building and Planning Services

Author(s): Andria Sallese, Senior Project Manager, Policy

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In accordance with the Procedure By-law, any member of Council may make a request to the Town Clerk that this Report be placed on an upcoming Committee of the Whole agenda for discussion.

### **Purpose**

The purpose of this report is to provide an overview of the proposed amendment to Ontario Regulation 232/18 - Inclusionary Zoning (IZ), which would pause IZ policy implementation in three municipalities until July 1, 2027. This report outlines the proposal and its implications for IZ implementation in Newmarket.

### **Background**

#### **Proposed Amendment to Ontario Regulation 232/18**

Inclusionary zoning is a planning tool that requires new developments to include a certain percentage of affordable housing units within new residential developments in Protected Major Transit Station Areas (PMTSAs).

On January 12th, the Ministry of Municipal Affairs and Housing (the Province) introduced a proposed amendment to Ontario Regulation (O. Reg) 232/18 ([Proposal 26-MMAH001](#)). The amendment would exempt developments in Toronto, Kitchener, and Mississauga from Inclusionary Zoning (IZ) requirements if a complete application for a zoning by-law amendment, site plan, or building permit is submitted on or before July 1, 2027.

According to the Province, the pause is to address ongoing market pressures, such as rising interest rates and increasing construction costs, which are affecting development viability and could reduce overall housing supply if IZ requirements proceed under current conditions.

The Province is seeking feedback on the proposed pause of IZ requirements by January 19th, 2025.

## Legislative Context

The primary goal of Inclusionary zoning is to create mixed-income communities and improve housing affordability challenges by ensuring a portion of new housing supply is attainable for low- and moderate-income households.

Over the past decade, Ontario's housing and IZ framework has evolved significantly, shaping how municipalities such as Newmarket can implement affordable housing policies. Key legislative milestones include:

- *Promoting Affordable Housing Act*, 2016 (Bill 7): introduced IZ as a municipal tool.
- *More Homes, More Choice Act*, 2019 (Bill 108): limited IZ to PMTSAs or Community Planning Permit System (CPPS) areas.
- *More Homes Built Faster Act*, 2022 (Bill 23): proposed limits on IZ (5% set-aside, 25-year affordability) and development charge exemptions for affordable units.
- *Affordable Homes and Good Jobs Act*, 2023 (Bill 134): updated development charge exemptions and affordability definitions using local income and market conditions.
- Provincial Planning Statement (PPS 2024): strengthened policies for diverse and affordable housing types aligned with infrastructure, and defined affordable ownership and rental housing using income-based thresholds and market benchmarks.
- Amendment to O. Reg. 54/25 (2025): established a 5% maximum set-aside and a 25-year affordability period, while allowing municipalities to define local affordability definitions. Newmarket's draft IZ policy framework aligns with these amendments.
- Proposed amendment to O. Reg. 232/18: would pause IZ requirements in Toronto, Kitchener, and Mississauga, where IZ by-laws are in place, until July 1, 2027. This pause would not apply to Newmarket or other municipalities not named in the proposal.

Under the *Planning Act* and O. Reg. 232/18 (as amended), municipalities may implement IZ only within PMTSAs or Community Planning Permit System (CPPS) areas. To enact IZ, municipalities must first:

- Complete an IZ assessment (demographics, incomes, housing supply, financial impacts) (**Completed in 2025**).
- Adopt Official Plan policies outlining IZ requirements (including minimum development size, eligible locations, affordability targets, and timeframes) (**In Progress**).
- Enact an IZ by-law (non-appealable except by the Minister) and report on IZ performance every two years (**In Progress**).

- Update the Housing Needs Assessment every five years.

Together, these legislative requirements establish the framework guiding how Newmarket must develop and implement its IZ policies in alignment with Provincial direction.

## **Newmarket Inclusionary Zoning Framework**

In 2022, the Town retained SHS Consulting Inc. to complete a Housing Needs Assessment (HNA) and IZ Study in accordance with Ontario Regulation 232/18. The study is structured in four phases. Phases 1 through 3, now complete, resulted in the preparation of an HNA and IZ report. The HNA assessed current and emerging housing needs, identified key gaps in the housing system, and recommended next steps, including development of a Housing Action Plan (HAP). The IZ component evaluated the feasibility and anticipated impacts of implementing IZ within PMTSAs, provided a framework for IZ policies and a draft by-law, and recommended implementing the framework through the Town's Official Plan update. The draft HNA and IZ report was received by Council on May 26th, 2025 ([Item 5.1](#)).

Following Council's receipt of the draft report and its recommendations, the project has now advanced into Phase 4, which is currently underway. This phase includes developing the HAP strategy, including tools and incentives to address identified housing gaps, and refining housing policies and the IZ by-law. A Council Workshop on the HAP and draft housing policies is anticipated for late Q1 or early Q2 of 2026.

## **Discussion**

### **Housing Action Plan and Official Plan Review**

The HAP will implement the recommendations of the housing needs assessment and IZ report. Its focus is to identify tools and incentives that support a broader mix of housing types and tenures and deepen affordability in Newmarket. IZ is one of these tools within this broader strategy.

As noted above, Phase 4 involves drafting Official Plan policies that reflect the HNA and IZ policy directions, including preparing the IZ bylaw. Together, these components will form the foundation for a comprehensive, integrated approach to addressing Newmarket's housing gaps and supporting a diverse, affordable housing supply.

Although the proposed Provincial amendment does not apply to Newmarket, there may be indirect impacts related to how IZ is perceived across the development sector, particularly given broader market conditions. Staff will continue to monitor Provincial actions to assess any implications for the Town's Official Plan Review and IZ study, ensuring Newmarket can advance its housing initiatives while remaining responsive to potential policy changes.

## **Consultation**

The consultation period for the proposed amendment closes on January 19th. Due to the short timeframe to submit comments to the Province, Staff are circulating this Information Report to provide members of Council with the background on this matter and if an opportunity exists to provide feedback, Staff will incorporate any Council comments received and submit this report to the Province by the required deadline.

## **Conclusion**

Although the proposed amendment to O. Reg 232/18 would not directly affect Newmarket at this time, Staff will continue to monitor the Province's direction to ensure the Town's housing policies and IZ framework remain aligned and adaptable. Further updates will be provided as more information becomes available.

## **Council Priority Association**

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

## **Human Resource Considerations**

None.

## **Budget Impact**

Any amendments to the IZ framework or draft by-law may affect project timing, particularly related to consultant support required to revise policies and zoning provisions or adjust the project timeline. However, any consultant-related costs associated with these updates are expected to be minimal and can be accommodated within the existing Housing Action Plan budget.

## **Attachments**

None.

## **Approval for Distribution**

Paul Freeman, Chief Planner and Director, Planning and Building Services

Peter Noehammer, Commissioner, Development & Infrastructure Services

## **Report Contact**

For more information on this report, contact [info@newmarket.ca](mailto:info@newmarket.ca).