



From Cornerstone to Capstone: Building Canada's Missing Middle Gentle-Density Housing

April 2026



From Cornerstone to Capstone

Mike Moffatt | April 23, 2026

Key Points

- The price of new homes in communities such as Mississauga and Hamilton, while down from pre-pandemic peaks, is still out of reach of many potential homebuyers.
- Communities are falling behind their housing supply targets and need a wide range of housing options to support a diversity of needs at an attainable price.
- Gentle density housing, which includes housing types such as multiplexes, accessory dwellings, and laneway homes, can create housing options in both new and existing neighbourhoods, while maintaining the neighbourhood's look and feel, as buildings are limited to a maximum of 3-4 storeys and 600m².
- There are five barriers, in particular, that limit the construction of gentle-density housing.
 - Zoning and approval processes.
 - A lack of regulatory harmonization between municipalities.
 - High development charges, fees, and taxes.
 - Barriers in obtaining construction financing.
 - Obtaining sufficient electricity amperage
- As well, current regulatory structures make it cost-prohibitive, and in some cases, outright impossible, to have families purchase the gentle-density home that they occupy, limiting the use of gentle-density to rental.
- Experiences in other jurisdictions, such as British Columbia and Oregon, show that these challenges can be overcome.
- There is a role for municipal governments, along with the provincial and federal governments, in creating the conditions to allow for attainable, gentle-density homes to be built in new and existing neighbourhoods.

Recommendations

Municipal recommendations

Recommendation 1: Institute a series of zoning reforms to gradually transition to full form-based zoning for both existing and new low-rise neighbourhoods.

Recommendation 2: Reduce or eliminate minimum parking requirements to facilitate the creation of additional units on existing lots.

Recommendation 3: Create forgivable loan or grant programs for the construction of Accessory Dwelling Units (ADUs).

Recommendation 4: Reform development charges to facilitate the creation of gentle density.

Recommendation 5: Work with local utility providers and electricity distribution companies (LDCs) to ensure that gentle-density projects can easily and inexpensively access necessary infrastructure, including appropriate levels of electricity, water, and wastewater services, and to adopt measures similar to Toronto Hydro's Multiplex PowerPlay pilot.

Provincial recommendations

Recommendation 6: Harmonize rules and remove barriers to gentle-density housing by instituting a series of zoning reforms to gradually transition to full form-based zoning for both existing and new low-rise neighbourhoods, and by amending the building code.

Recommendation 7: Follow the lead of jurisdictions such as British Columbia and Oregon to create simple pathways to allow individual, low-density housing units to be owned by their occupants.

Recommendation 8: Reform development charges to provide financial relief for new development, including exempting development charges from PST and land-transfer taxes.

Recommendation 9: Follow the lead of British Columbia and provide a full exemption on the land-transfer tax for newly constructed homes valued under \$1.1 million.

Recommendation 10: Extend the enhanced HST rebate on new owner-occupied housing beyond one year.

Federal recommendations

Recommendation 11: Create construction financing vehicles for gentle-density housing.

Recommendation 12: Increase the number of gentle-density options in the CMHC Housing Design Catalogue.

Recommendation 13: Implement the 2025 campaign promise to reintroduce the MURB program and ensure it is designed in such a way that it can be used to create gentler-density housing.

Recommendation 14: Tie future federal housing and infrastructure funding to provinces and municipalities to the adoption of pro-gentle density housing reforms.

Recommendation 15: Reform the GST to lower the cost of housing construction, including exempting development charges from GST.

Contents

From Cornerstone to Capstone	1
Recommendations	2
Municipal recommendations	2
Introduction – The need for a diverse set of housing options.....	4
New housing affordability remains an issue, particularly for younger buyers	5
Ontario is falling behind on homebuilding.....	7
The need to address pre-existing local housing shortages	9
Housing starts are falling behind at the local level	10
Recent reforms should help, though many are temporary	12
A diverse range of housing types is needed.....	13
Ontarians understand the need for more housing, but how we get there matters.....	15
Gentle-density can add a diversity of housing options while meeting the needs of both new and existing residents	16
Distinction between gentle-density and missing-middle housing	17
How large and tall is too large and too tall?	18
Barriers to increasing the supply of gentle-density housing.....	19
Examining the root causes of these barriers	20
Zoning and approvals processes	20
A lack of regulatory harmonization across municipalities	23
Prohibitively high development charges, fees, and taxes	24
Obtaining construction financing	26
Access to electricity.....	26
Ways to break down the barriers preventing gentle-density housing.....	27
Form-based zoning for low-density neighbourhoods.....	27
Harmonizing lot widths, setback requirements, lot width minimums and maximum lot coverage ratios	28
Reforming development charges and housing construction taxes.....	29
Creating and enhancing financing vehicles for gentle-density housing.....	31
Working with local electricity distribution companies (LDCs) to ensure a timely and affordable access to sufficient amperage	31
Creating ownership opportunities for gentle-density housing.....	32
Recommendations	33
Municipal recommendations	33
Provincial recommendations	36
Federal recommendations	38
Final Thoughts.....	39

Introduction – The need for a diverse set of housing options

Ontario needs more homes to accommodate a variety of family types, and housing remains a top-of-mind concern for Ontarians. Although rents and home prices have eased in many markets in recent years, affordability remains a challenge. Young people, and couples, in particular struggle to find an attainable home that suits their needs. Twenty years ago, a couple in their late-20s or early-30s could find a newly constructed family-sized starter home for four times their income. Today, it requires nearly twice that, making qualifying for a mortgage a near impossibility.

The lack of attainability has not reduced young people's desire to own a home, as a recent OREA poll finds that 88% of non-homeowners under the age of 30 in Ontario desire to own a home one day. Unfortunately, there is a shortage of homes that suit their needs at a price they can afford. A lack of supply diversity not only affects the young; seniors currently lack downsizing options that meet their needs in the neighbourhoods they wish to live in.

High land prices, the need for municipalities to use infrastructure efficiently, and the need to create housing options in existing neighbourhoods have led to a demand for gentle-density housing. Gentle-density housing refers to housing options that blend into existing low-rise neighbourhoods while allowing higher unit density than traditional single-detached and multi-detached homes. These include, but are not limited to, stacked townhouses, multiplexes, and accessory dwelling units.

While there is a need for these types of homes, building them in a way that suits the needs of a diverse range of families at a price they can afford is a formidable task. Cornerstone Association of REALTORS® (Cornerstone), which represents members throughout Burlington, Halton Region, Hamilton, Mississauga, Niagara Region, Norfolk County, Waterloo Region, and surrounding areas, tasked the Missing Middle Initiative with highlighting the barriers to building gentle-density housing, with a particular focus on the communities Cornerstone represents, as well as providing policy solutions.

While not an exhaustive list, MMI has identified five barriers as being particularly challenging:

1. Zoning and approvals processes that outright prohibit, or increase the risk and cost, of building gentle-density housing.
2. A lack of regulatory harmonization across municipalities, which limits economies of scale and the use of modern methods of construction.
3. Development charges, fees, and taxes, which make building new gentle-density housing cost-prohibitive.
4. Barriers to obtaining construction financing for gentle-density housing.
5. Utilities making it difficult, time-consuming or expensive to obtain sufficient electrical amperage, particularly for lots with EV charging or homes with electric heat pumps.

A final barrier is the lack of regulatory structures that allow individual units to be owned by their occupant. While this does not prevent homes from being built, it does limit housing options for those who wish to own their own homes.

These barriers can be overcome with smart public policy, but for existing neighbourhoods in particular, they must be implemented in ways that take into account the needs of existing residents, many of whom are concerned about the potential downsides of densification.

New housing affordability remains an issue, particularly for younger buyers

Although home prices and rents have fallen across Ontario in recent years, new homes are still unattainable for most young Ontarians.

The traditional benchmark for affordability of ownership is that a home should cost no more than three times a couple’s income. To determine new “entry-level” housing affordability, the Missing Middle Initiative compares median incomes for couples aged 25-34 to newly constructed single- and semi-detached homes priced at the 20th percentile.¹

In the average Ontario metro in 2015, price-to-income ratios were just over 4-to-1, indicating that the province faced housing affordability challenges. By 2023, this average had exceeded 8-to-1. By 2025, due to both declining new housing prices and rising incomes, price-to-income ratios had fallen to 7.3-to-1 in the average Ontario metro, as shown in Figure 2.

The median incomes for Ontario couples in this age group range from \$126,000 in metro Ottawa to \$68,000 in metro Windsor, with most metro areas in the \$100,000 range. As such, a 3-to-1 home price ratio would require starter family-sized homes to be priced around \$300,000; refer to Figure 1 for metros within Cornerstone’s operating region.

It will take both growing incomes and an increase in the number and types of new homes built to achieve affordability approaching a 3-to-1 price-to-income ratio. A diversity of home types and sizes will be needed, from accessory dwelling units to multiplexes, to accommodate a range of individuals and family types, including young families and seniors wishing to downsize. And the cost of housing construction must fall to ensure these homes will be attainable.

Unfortunately, Ontario is falling behind in both the number of homes being built and the diversity of unit types.

Figure 1: New starter family home price needed to achieve a 3-to-1 home price to income ratio by selected metro

Metro Area	3-to-1 Home Price Cut-Off
Hamilton-Burlington	\$336,634
Norfolk	\$319,416
St. Catharines - Niagara	\$287,652
Kitchener - Cambridge - Waterloo	\$286,698
Toronto (incl. Mississauga)	\$260,249

Data Source: [Canadian Real Estate Association](#), Chart Source: MMI

¹ That is, if there were 100 new single- and semi-detached homes in a location, we examine the price of the home with the 20th-lowest price.

Figure 2: Price-to-income ratios of a new starter family-sized home for a 25-34 year old couple, 2015 and 2025, by Ontario metro

Metro Area	2015	2025	Change
Toronto (incl. Mississauga)	7.3	12.2	4.9
Windsor	3.9	10.9	7.0
Kitchener - Cambridge - Waterloo	4.5	9.9	5.4
Oshawa	4.4	8.9	4.5
London	3.9	8.7	4.8
St. Catharines - Niagara	4.4	7.8	3.4
Barrie	4.6	7.7	3.1
Brantford	4.5	7.4	2.9
Sarnia	2.9	7.2	4.3
Kingston	3.7	6.9	3.1
Ottawa	4.4	6.2	1.7
Kawartha Lakes	2.7	6.1	3.4
Norfolk	3.6	5.9	2.3
Greater Sudbury / Grand Sudbury	4.0	5.9	1.9
Chatham-Kent	3.4	5.7	2.3
Hamilton-Burlington	4.7	5.3	0.7
Cornwall	3.5	5.2	1.7
Belleville - Quinte West	3.4	3.6	0.2
Unweighted Average	4.1	7.3	3.2

Data Source: Missing Middle Initiative, Chart Source: MMI.

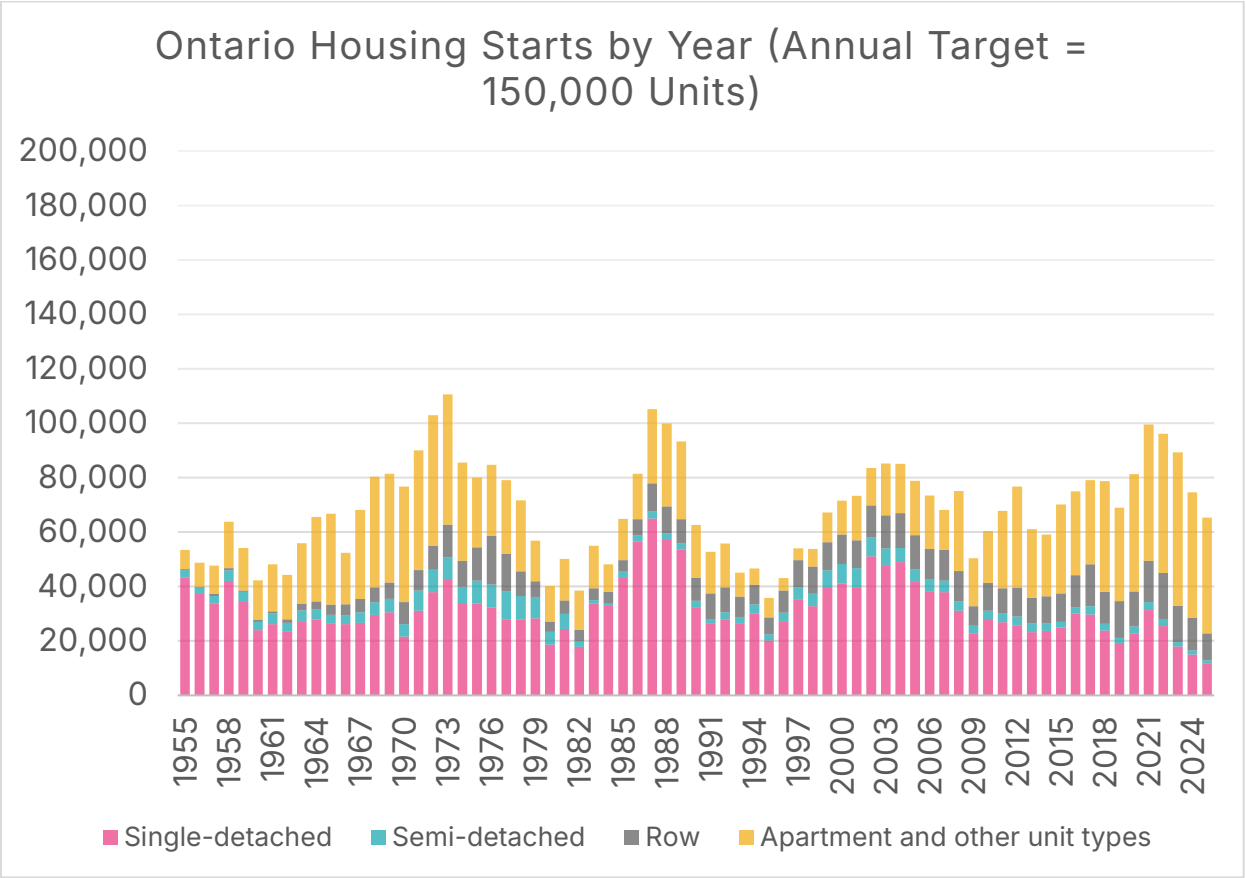
Ontario is falling behind on homebuilding

Ontario’s current lack of attainable housing options is, in part, a function of a lack of homes relative to the size of the population. An [October 2025 report](#) from the Missing Middle Initiative (MMI) found that, as of the 2021 Census, the province was short 500,000 homes relative to the population's size and composition. This estimated shortage of roughly 110,000 apartment units and 390,000 ground-oriented homes does not account for the province's robust population growth since 2021. As such, the need has only grown.

Governments have recognized the need to build new homes, and both the provincial and federal governments have committed to ambitious goals to double housing starts, albeit on different timelines. Unfortunately, due to a variety of factors, homebuilding has fallen, rather than increased, across Ontario, creating a need for governments to find bold solutions to address the crisis.

In February 2022, the provincial government’s Housing Affordability Task Force released a [report](#) with 55 recommendations on how to address the province’s housing affordability challenges. Recommendation #1 of the report was for the province to set a goal of building 1.5 million homes in a decade. A few months later, Premier Ford announced that the province would adopt that recommendation and commit to a target of 1.5 million housing starts in the decade spanning 2022 through 2025. The goal was incredibly ambitious, as it required housing starts to average 150,000 per year in a province that had never exceeded 110,000 in a single year, nor 850,000 in any ten years, as shown in Figure 3.

Figure 3: Annual housing starts, province of Ontario, by unit type and year



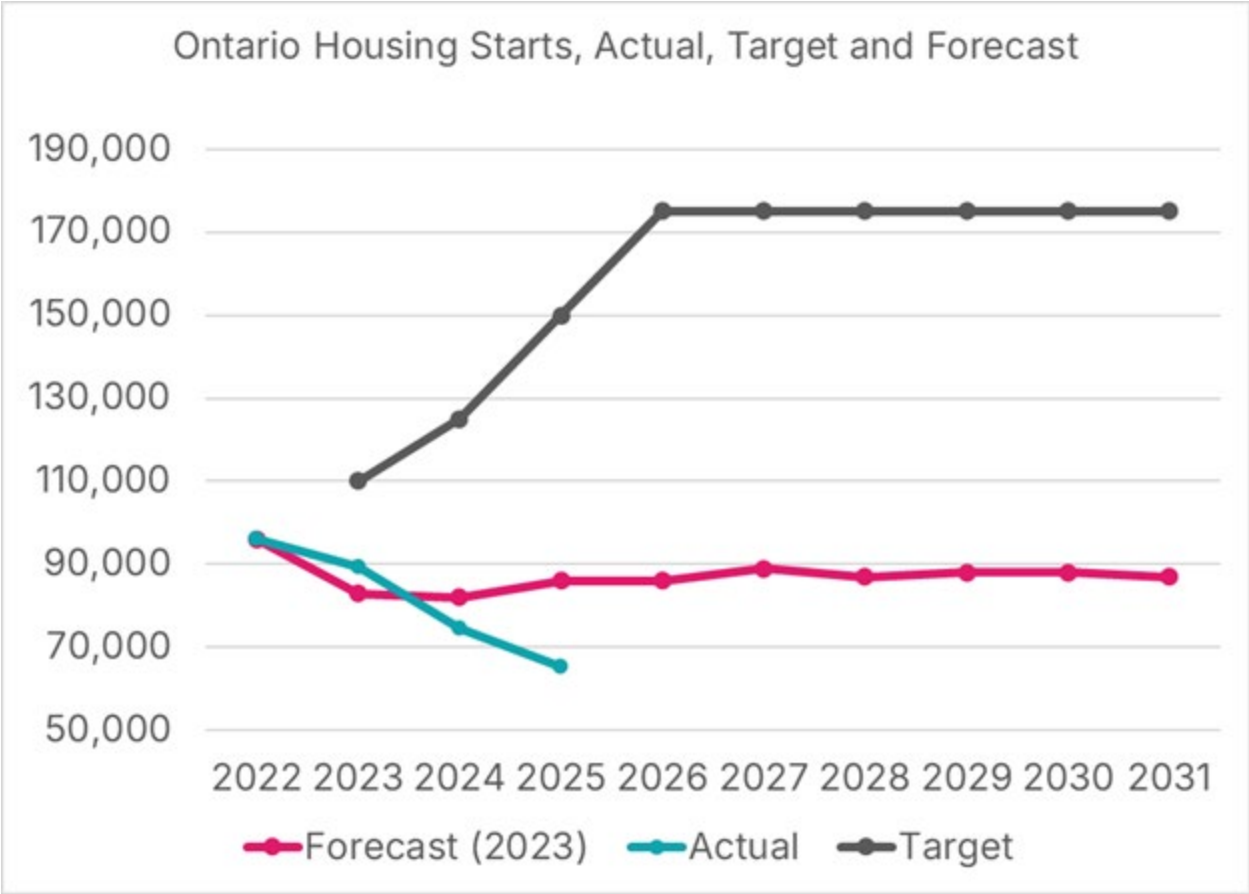
Data Source: Statistics Canada Table [34-10-0126-01](#), Chart Source: MMI.

The provincial government correctly recognized that it would take time to grow homebuilding capacity, so it converted the ten-year targets into a set of annual targets that increased over time, covering the years 2023 through 2031, while accounting for the roughly 96,000 housing starts the province achieved in 2022. Annual targets were set at 110,000 units for 2023, 125,000 units for 2024, 150,000 units for 2025, and 175,000 units for each year from 2026 to 2031.

Unfortunately for the province, economic conditions, including a post-pandemic rise in interest rates, have led homebuilding to move in the opposite direction. As early as the summer of 2023, government forecasts predicted that housing starts would fall and remain below 90,000 units for the foreseeable future.

Further economic weakness would make these 2023 forecasts overly optimistic, with starts falling further than anticipated. A January 2026 release by TD Economics projects housing starts in Ontario to fall further in 2026, before rebounding to 64,000 units in 2027, less than 40% of the government’s 175,000-unit target for the year, as shown in Figure 4.

Figure 4: Annual housing starts, province of Ontario, actual, target, and forecasts



Data Sources: Statistics Canada Table 34-10-0126-01, The Trillum. Chart Source: MMI

Closing this supply gap will take a concerted effort from all orders of government, along with builders, developers, labour, and the not-for-profit sector.

The need to address pre-existing local housing shortages

More housing is needed across the province, but both its location and type matter.

In the summer of 2022, the PLACE Centre (the precursor to the Missing Middle Initiative) developed the RoCA Benchmark (*Rest of Canada Average Benchmark*) method to estimate the size and composition of housing shortages at the census division level.² The method relies on census data for its estimates; as such, housing shortage estimates are generated for census years (years ending with 1 or 6, when Canada conducts the census). Three years later, MMI would release the report *Families on the Move*, with an updated version 3.0 of the RoCA Benchmark methodology, which addressed limitations in previous versions, including a stronger differentiation between the housing needs of urban and rural municipalities.

The RoCA Benchmark method recognizes that families have varying housing needs, with some requiring a small, cozy place to call home, while others need three or more bedrooms to support growing families. As such, it differentiates between ground-oriented housing and apartment units. Figure 5 contains housing shortage estimates, by unit type, in Ontario census divisions in or near Cornerstone's region of operations, as of 2021, using the RoCA Benchmark v3.0 method. Given Ontario's population grew by an estimated 1.4 million people between 2021 and 2025, shortages have only grown since then.

Figure 5: Housing shortages, by selected Ontario census divisions, by unit type, as of Census 2021 (Negative values indicate a surplus)

Census Division	Ground-Oriented Units	Apartment Units	Total
Peel	76,176	72,810	148,985
Halton	23,722	-1,980	21,742
Hamilton	649	19,347	19,996
Waterloo	1,176	18,470	19,646
Niagara	9,503	-5,005	4,498
Wellington	8,530	-5,390	3,140
Dufferin	723	1,803	2,526
Haldimand-Norfolk	-1,348	3,709	2,361
Brant	3,210	-1,452	1,758
Rest of Ontario	269,436	5,922	275,358
TOTAL	391,776	108,235	500,012

Data Source: [Families on the Move](#), Chart Source: MMI

² In Ontario, a Census Division is typically a regional municipality, a county, or, in northern Ontario, a district.

Housing starts are falling behind at the local level

The provincial government has recognized the need to build enough housing to address pre-existing housing shortages and support a decade’s worth of population growth and aging. It also recognized that the location of these homes matters, and some communities have larger pre-existing shortages or faster-growing populations than others.

As part of their goal to hit 1.5 million housing starts in a decade, the Government of Ontario assigned the 50 largest municipalities individual ten-year housing start targets. Eight of the 50 municipalities are located within Cornerstone’s operating region; the ten-year start targets are given in Figure 6.

Figure 6: Ten-year provincial housing target, by selected municipality

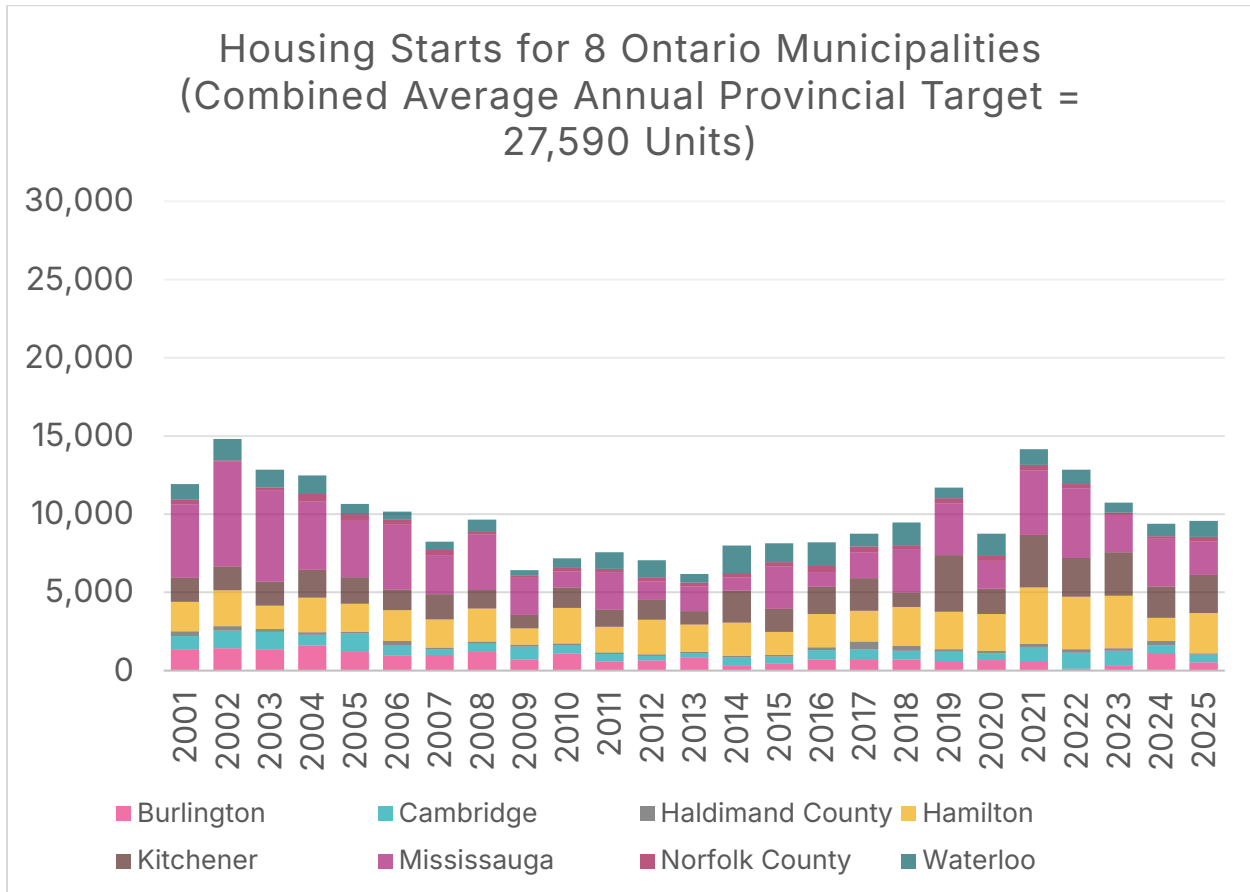
Municipality	2022-31 Ten-Year Housing Start Target
Burlington	29,000
Cambridge	19,000
Haldimand County	4,200
Hamilton	47,000
Kitchener	35,000
Mississauga	120,000
Norfolk County	5,700
Waterloo	16,000
TOTAL	275,900

Data Source: [Government of Ontario](#), Chart Source: MMI

These eight municipalities would need a combined 27,590 housing starts a year (275,900 over a decade) to meet their targets, noting that, like the province-wide targets, annual targets increase over time to reflect the challenges of scaling up the homebuilding sector. These annual targets also serve as the basis for annual funding allocations under the province’s Building Faster Fund.

Meeting these targets will prove incredibly challenging, as these eight communities combined have not had even 15,000 housing starts this century, as shown in Figure 7.

Figure 7: Annual housing starts for eight Ontario municipalities



Data Source: [CMHC Housing Information Portal](#), Chart Source: MMI

Over the past four years, housing starts have averaged just over 10,000 units, as shown in Figure 7. In no year this century have the housing starts of the eight municipalities combined reached 15,000 units, let alone over 27,000.

None of the eight municipalities is building at an annual rate equivalent to their target ten-year average rate, though, like the provincial targets, municipal targets scale up over those ten years. Additionally, the province allows municipalities to include the creation of new student residence beds toward their municipal targets, which are not captured in CMHC housing start data. Even with these caveats in mind, Figure 8 shows a substantial gap between municipal housing targets and annual average housing starts.

Figure 8: Annual housing starts for eight Ontario municipalities, 2022-31

Municipality	2022-25 Annual Average Housing Starts	2022-31 Annual Average Housing Start Target	2022-31 Starts as a Percentage of Annual Average Target
Burlington	525	2,900	18%
Cambridge	734	1,900	39%
Haldimand County	199	420	47%
Hamilton	2,689	4,700	57%
Kitchener	2,416	3,500	69%
Mississauga	3,003	12,000	25%
Norfolk County	220	570	39%
Waterloo	847	1,600	53%
TOTAL	10,633	27,590	39%

Data Sources: [CMHC Housing Information Portal](#) and [Government of Ontario](#). Chart Source: MMI

Recent reforms should help, though many are temporary

On February 10, 2026, the Canada Mortgage and Housing Corporation (CMHC) sent a wake-up call to policymakers that not only were their ambitious housing targets not getting any closer to being reached, but that Canada was likely to slide backwards when it came to homebuilding. In 2025, sales bounced back from a rather lacklustre 2023 and 2024, reaching 259,000 units nationwide. Using pre-construction sales numbers and other data, the CMHC projected that starts would fall each of the next three years, to 243,000-247,000 in 2026, 214,000-223,000 in 2027, and 212,000-216,000 in 2028.

Governments have since acted. At the end of March, the federal government and the province of Ontario announced two separate agreements. The first agreement effectively extends the First-time home buyers' (FTHB) GST/HST rebate to all purchasers of a new home who intend to use it as a primary residence. It provides a full 100% HST rebate for homes priced under \$1 million, and a partial rebate for homes above this amount. The measure lasts only one year and applies to purchase agreements signed from April 1, 2026, to March 31, 2027.

The second agreement between the two governments promises to lower development charges by up to 50 percent, covering three years. Details have yet to be released on which homes in which municipalities will qualify for the reduction, the size of the reduction on any particular home, and when the reduction period will start and end.

The two governments accurately note that the combined measures can shave up to \$200,000 off the cost of a new home when both are fully implemented. These measures will reduce the cost of homebuilding, lowering prices, and cause more homes to be built and purchased. However, given that Ontario is currently experiencing market conditions unlike anything seen in over three decades, only time will tell to see how many additional homes are built.

During the same time, the province of Ontario introduced [Bill 98](#), the *Building Homes and Improving Transportation Infrastructure Act, 2026*. Reforms in the Bill include a [provision](#) limiting municipalities to 12 land-use categories in their official plans. Coupled with the Bill is a regulatory consultation, ERO 026-0311, seeking feedback on a proposed measure prohibiting municipalities from requiring residential lots to exceed 175 square meters. These measures are designed to give builders more flexibility and harmonize rules across municipalities, thereby creating economies of scale in homebuilding and increasing housing starts and housing options for Ontario families.

A diverse range of housing types is needed

Hitting a housing start target, while important, won't necessarily create the diversity of housing options that are needed. Families come in all shapes and sizes and have varying income levels. A studio apartment might be the ideal home for one person, while being far too small to accommodate a couple with young children.

Much of the housing built in southern Ontario communities over the past hundred years falls into two types. The first is low-density single-detached and semi-detached homes. This housing comprises, on average, 56% of the housing stock in eight municipalities within Cornerstone's operating region as of the 2021 Census, as shown in Figure 9.

High-rise apartment units, both condos and purpose-built rentals, comprised nearly 19% of all homes as of the 2021 census. This proportion will almost certainly be substantially higher in the 2026 census, due to the high-rise construction boom of the past decade.

However, there are many families and individuals for whom neither of those two housing types suits their needs. They may require ground access or larger unit sizes that are unavailable in a high-rise, while also needing a smaller or more affordable unit than is available in a single-detached or semi-detached home. "Missing middle" housing, which includes (but is not limited to) townhomes, multiplexes, and apartment buildings that have five or fewer storeys, is often perfectly suited to their needs. These homes, however, can often be hard to find, as they account for only one-quarter of the housing stock in our sample of eight Cornerstone communities.

There is a need to create the conditions to allow for more "missing middle" housing to be built. But not all missing-middle housing, particularly infill missing-middle housing, is equally popular with existing residents. Many current homeowners and renters love their neighbourhoods and are concerned that wholesale changes would erode or eliminate what makes them special. This public sentiment limits the types of reforms that policymakers, at any level of government, can introduce.

Figure 9: Housing stock for eight Ontario municipalities, Census 2021

Housing Type	Burlington	Cambridge	Haldimand County	Hamilton	Kitchener	Mississauga	Norfolk County	Waterloo	Total	As a %
Single-detached house	36,765	29,110	15,800	125,100	47,405	90,645	22,815	23,145	390,785	49.8%
Semi-detached house	3,045	3,735	585	6,820	5,530	26,900	805	2,175	49,595	6.3%
Total Low-Density	39,810	32,845	16,385	131,920	52,935	117,545	23,620	25,320	440,380	56.1%
Apartment in a building that has fewer than five storeys	5,915	7,170	1,215	19,045	15,445	17,550	1,885	4,950	73,175	9.3%
Apartment or flat in a duplex	730	1,690	315	7,195	3,155	7,880	540	930	22,435	2.9%
Row house	13,765	6,350	680	27,580	12,855	34,440	970	5,440	102,080	13.0%
Other single-attached house	110	170	15	445	80	70	50	20	960	0.1%
Total Missing Middle	20,520	15,380	2,225	54,265	31,535	59,940	3,445	11,340	198,650	25.3%
Apartment in a building that has five or more storeys	12,835	3,015	50	36,490	15,330	66,840	385	10,300	145,245	18.5%
Total High-Density	12,835	3,015	50	36,490	15,330	66,840	385	10,300	145,245	18.5%
Total - All Homes	73,180	51,270	18,720	222,805	99,810	244,575	27,595	47,040	784,995	100.0%

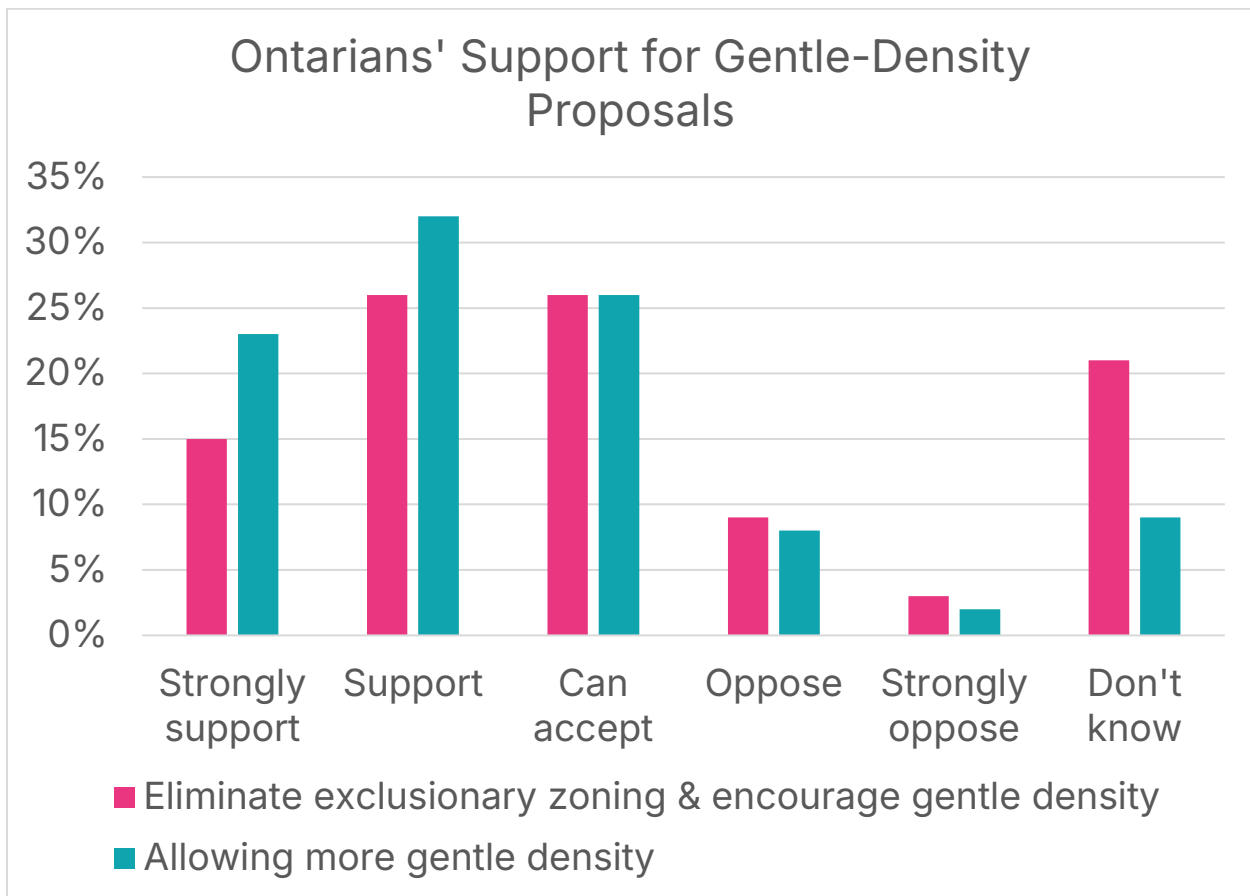
Data Source: Census Profiles, [Census 2021](#). Chart Source: MMI

Ontarians understand the need for more housing, but how we get there matters

In a [January 2026](#) poll of over 2,000 Ontarians conducted by Abacus Research on behalf of the Ontario Real Estate Association, with 86% of respondents expressing concerns about the state of housing in the province, and 73% indicating that “improving housing affordability” should be a high, very high, or top priority for the provincial government, behind only “the rising cost of living” and “improving housing affordability” in the concerns of Ontarians. And only 12% of those surveyed in the poll believe that homes will be more affordable five years from now than they are today.

Respondents to the survey, however, have mixed opinions on the best solutions to get there. Abacus polled respondents on 20 different policies to increase the supply of housing and make housing more affordable. Of the 20 suggested policies, the proposal to “eliminate exclusionary zoning and encourage gentle density” had the lowest support, at 41%, though only 12% were opposed to the idea, with the rest stating they could “accept” the policy (26%) or were unsure (21%). However, a similarly worded proposal to “[allow for] more gentle density (duplexes, triplexes, small apartment buildings) in low-density neighbourhoods” received stronger support, as shown in Figure 10. At 55%, the support for the second proposition was 14 points higher than the first.

Figure 10: Abacus gentle-density polling results, January 2026



Data Source: [Abacus Data](#), Chart Source: MMI

Gentle-density can add a diversity of housing options while meeting the needs of both new and existing residents

As shown by the Abacus polling data, Ontarians understand the need to increase the supply of attainable, family-friendly housing, and governments have recognized this need through policy actions and housing start targets. Governments and the general public also recognize that there are limitations on how far cities can expand outward to create new housing, due to land constraints and the cost of building new infrastructure. Property tax increases are highly unpopular with homeowners, so creating conditions that allow existing infrastructure, such as sewers, libraries, and parks, to be used more efficiently can keep taxes low, as highlighted in the report [Four Pathways to Housing Affordability](#). Creating the conditions to build gentle density housing in existing neighbourhoods can increase housing options while putting downward pressure on property taxes.

However, existing residents have legitimate concerns about what densification means for their neighbourhoods and are unwilling to support wholesale changes that would lead to significantly increased noise and traffic, and to buildings whose height or size, in their view, is out of scope for the neighbourhood.

More missing middle housing is needed in both existing and new neighbourhoods. Missing middle housing is typically defined as housing types with higher densities than single-detached homes but shorter than mid-rise and high-rise apartments with six or more storeys. Figure 11 provides examples of missing middle housing, which includes multiplexes and townhouses, both traditional and stacked.

Figure 11: Missing Middle Housing Types



Chart Source: [Opticos](#)

Distinction between gentle-density and missing-middle housing

The Abacus polling data also reveal that support for densifying existing neighbourhoods rises when the approach is seen as balanced between the need for more housing and the concerns of existing residents. A wholesale elimination of exclusionary zoning received the lowest support among the 20 hypothetical supply and affordability policies (noting that it still received more support than opposition); the proposal to allow for more gentle density, which highlighted specific housing types, performed much better.

The gap in polling results between “eliminate exclusionary zoning” and “allowing more gentle density” illustrates the distinction between missing middle housing and gentle density. Gentle density can be thought of as both a type of housing and a process. Gentle-density housing excludes some larger and taller buildings that fall within the missing-middle spectrum. And for existing neighbourhoods, it is also added incrementally, with rules such as setbacks and lot coverage ratios, to avoid density levels considered incompatible with single-family neighbourhoods.

The 2024 CMHC Gentle Density Housing Bylaw Guide lists the typologies of gentle-density housing, as shown in Figure 12. It substantially overlaps with Figure 11’s illustration of missing middle housing, though it lacks some of the taller and larger units shown on the right-hand side of Figure 11’s spectrum.

Figure 12: Gentle Density Housing Types



Chart Source: [CMHC](#)

How large and tall is too large and too tall?

There is no universally accepted definition of gentle-density housing, but the majority of definitions can be roughly translated to “not too big and not too tall to look out of place in existing low-density neighbourhoods”. For example, Small Housing BC’s definition of the term is “small-scale, multi-unit housing types that fit into existing single-detached neighbourhoods”, which we believe to be reasonable.

As Figure 12 shows, low-density housing types include laneway and garden-suite homes, pocket neighbourhoods, cohousing, houseplexes, small-lot homes, townhomes, stacked townhouses, and secondary suites. But this still leaves us without a demarcation line between gentle and non-gentle, which accounts for both the size and height of buildings.

Opinions differ on where to place that line, but [Small Housing BC](#) provides a particularly useful demarcation. They suggest that gentle-density homes are those that fit within Part 9 of the Building Code, which requires the structure to be no more than 3-4 storeys and to have a total floor area of less than 600 m² (6458 ft²) across all the units in the building. They further note that these homes are typically (but not exclusively) ground-oriented, where occupants have direct access to the outdoors.

Given that building codes already differentiate between small, simple structures (those compliant with Part 9) and larger, more complex structures (subject to Part 3), creating a different definition of gentle-density is unnecessarily complex.

In this report, we will adopt a definition of a gentle-density home as any purely residential structure that complies with Part 9 of a provincial building code.

Barriers to increasing the supply of gentle-density housing

Despite the benefits and potential popularity of gentle-density housing, significant barriers exist that prevent more of it from being built. At a high-level, three broad reasons cause a potential gentle-density project to be unviable:

1. Approval processes make it impossible, or introduce too much risk, to make the project worthwhile.

You cannot build what is not legal. Unit maximums, setback rules, minimum lot widths, parking minimums, driveway size minimums, maximum lot coverage and effective imperiable coverage ratios, and maximum building heights limit what can be built on a lot and can render projects either unviable or force the creation of designs that are awkward and expensive. And while, in some cases, it may be possible to obtain a variance, the need to do so adds time, cost, and uncertainty to the process.

2. The cost of delivery makes the project economically unviable.

These costs include, but are not limited to:

- Land costs.
- The cost of obtaining permits.
- Construction costs, including materials and labour.
- Construction financing costs.
- Development charges and other municipal fees and taxes related to new construction.
- Provincial and federal taxes on the construction and sale of new homes, most notably the HST and land-transfer taxes (and, in the City of Toronto, a municipal land-transfer tax)

These costs can come down. Being able to use land more efficiently can lower the cost of that land. Governments control the cost of permits, taxes, and fees. Programs can be utilized and created to provide low-interest construction loans for gentle-density projects. Modern methods of construction, such as factory-built homes, can lower direct construction costs, though factory-built homes often struggle to reach scale, as substantial differences in rules between municipalities (and, occasionally, within the same municipality) make a model that would be legal to build in one place illegal in another. Imagine how inefficient automotive assembly would be if Mississauga required the gas tank door to be on the driver's side, Hamilton required it to be on the passenger side, and Waterloo required it to be behind the bumper. Differences in rules across municipalities create the equivalent of interprovincial trade barriers, increasing costs and decreasing market access.

3. Projects are unable to receive construction financing or access to necessary utilities.

An existing property owner who wants to add an accessory dwelling unit to a property or convert a duplex into a fourplex may find themselves unable to access construction financing. Gentle-density projects, such as multiplexes, often require electrical service above 200 amps, which can be difficult, expensive, and time-consuming to obtain, an issue highlighted in many Toronto [media articles](#) in 2024. It is also possible for development to be blocked, not due to an inability to access needed utilities, but rather due to concerns around capacity issues; there is an active debate

occurring in [Waterloo Region](#), for example, on the need to slow down or halt developments due to concerns about the capacity of the water system.

These are all barriers that governments can overcome through public policy and investment decisions.

Examining the root causes of these barriers

There are a multitude of root causes to these three sources of gentle-density unviability, and no one list could exhaust them all. However, we have identified the following five as being particularly important:

1. Zoning and approvals processes that outright prohibit, or increase the risk and cost, of building gentle-density housing.
2. A lack of regulatory harmonization across municipalities, which limits economies of scale and the use of modern methods of construction.
3. Development charges, fees, and taxes, which make building new gentle-density housing cost-prohibitive.
4. Barriers to obtaining construction financing for gentle-density housing.
5. Utilities making it difficult, time-consuming or expensive to obtain sufficient electrical amperage, particularly for lots with EV charging or homes with electric heat pumps.

Each of these barriers requires examining in detail.

Zoning and approvals processes

By its very nature, gentle-density infill housing requires either building more housing on an existing lot or subdividing that lot. Both of these present barriers to preventing gentle-density housing.

These barriers include:

Unit maximums: The most straightforward barrier is unit maximums on as-of-right zoning. Although many municipalities, such as Hamilton, have adopted four units as-of-right in low-density zones, others, such as Grimsby, only allow for three. Furthermore, many municipalities limit the configuration of units in as-of-right zoning, such as Grimsby, where in residential detached (RD) zones, the three units must be configured as a central unit and two Accessory Dwelling Units (ADUs). Unit maximums and unit configuration requirements prevent the building of many forms of gentle-density, such as sixplexes and pocket neighbourhoods, that would otherwise comply with zoning rules.

Maximum heights: Typical residential buildings that are compliant with Part 9 of the building code rarely exceed 11 meters in height, though some with a high-pitched roof can reach 12 meters. However, maximum heights in some low-density residential zones can be under 11 meters, and differences between how a particular bylaw determines height and how the Building Code determines height can also make some Part 9 structures non-compliant with municipal rules. Municipalities often have height restrictions, typically 4.5 meters, on ADUs, which limit the type of units that can be built, though some, such as Kitchener and Mississauga, have “coach house” provisions that allow for a more permissive 6 meters.

Parking minimums: Rules that require one or more parking spaces per unit can render multiplexes unviable, as too much of the lot would be taken up by driveways to be practical.

Lot coverage ratios, setback requirements, minimum landscaped open space/maximum effective impermeable ratios, driveway regulations, and electrical infrastructure.

Gentle-density housing, by its very nature, is about getting more housing, to a reasonable limit, in a particular area of land. As such, it requires more of that land to be used. However, rules exist which limit how much of that land can be used, including:

- **Setback requirements:** These include front yard setbacks, side yard setbacks, and rear yard setbacks. Setbacks are needed to ensure adequate space between unattached buildings, but excessive setback rules unnecessarily limit the amount of housing that can be built on a lot.
- **Maximum lot coverage ratios and minimum landscape open space requirements:** Maximum lot coverage ratios limit the percentage of a lot that can be occupied by housing, while minimum landscape open space requirements require a certain percentage of the land to be “permeable”. They are not the inverse of each other, as items such as driveways and pad-mounted transformers are not considered housing, but they are not permeable either.

Lot coverage ratios are largely in place to prevent the creation of “hyperdensity” in low-density neighbourhoods, but some municipalities are more permissive than others, as shown in Figure 13.

Figure 13: Typical Maximum Lot Coverage Ratio for Existing Low-Density Zones, by Selected Municipality, as of March 2026

Community	Typical Maximum Lot Coverage Ratio
Burlington	25-45%
Cambridge	40-50%
Grimsby	35-45%
Haldimand	35-45%
Hamilton	35%
Kitchener	45-50%
Mississauga	35-50%
Norfolk	35%
Waterloo	40-45%

Chart Source: MMI.

Figure 13 is a simplification, as many municipalities have multiple low-density zones with differing maximum lot coverage ratios; some, like Norfolk, provide an additional “bonus” to maximum lot coverage ratios for the construction of accessory dwelling units, and

others, like Mississauga, give larger maximum lot coverage ratios for fourplexes. It does, however, provide a clear example of regulatory harmonization.

Similarly, rules that require a minimum amount of open space (or, conversely, set a maximum on the percentage of a lot that can be impermeable) serve very important purposes, such as creating adequate space for nature, flood prevention, and preventing home fires from spreading. However, as shown in Figure 14, municipalities substantially differ in their landscaping requirements. When municipalities set excessive minimum landscaping requirements, they limit the amount and type of gentle-density housing that can be built. Note that, like Figure 13, these figures are somewhat simplified, as exceptions and other complexities can exist in the rules.

Figure 14: Typical Maximum Lot Coverage Ratio for Existing Low-Density Zones, by Selected Municipality, as of March 2026

Community	Minimum Landscaped Open Space	Max. Effective Impermeable %
Burlington	50% (Front Yard)	50%
Cambridge	30%-40%	60%-70%
Grimsby	30%-40%	60%-70%
Haldimand	30%	70%
Hamilton	45% (Front Yard)	55%
Kitchener	20%-30%	70%-80%
Mississauga	40% (Total Lot)	60%
Norfolk	30%	70%
Waterloo	30%	70%

Chart Source: MMI.

- **Minimum driveway size requirements:** Driveways eat into the maximum effective impermeable ratio, so rules on the minimum size of driveways, such as Cambridge’s recent changes to increase standard driveway lengths, limit the amount of space available for housing, reducing the available options for new gentle-density housing
- **Maximum lot width and lot size requirements.** Rules that require lots to be of a certain size, particularly a certain width, reduce the ability for lots to be subdivided. The ability to subdivide land is particularly important for creating ownership opportunities for gentle-density housing, such as four-unit multiplexes arranged in a row configuration.

Maximum lot widths in low-density residential zones can differ substantially by municipality, and even by neighbourhood, as shown in Figure 15. The earlier caveats on complexity also apply here; in particular, most municipalities have different rules for corner lots.

Figure 15: Typical Minimum Lot Widths for Existing Low-Density Zones, by Selected Municipality, as of March 2026

Community	Typical Minimum Lot Widths
Burlington	12m-15m
Cambridge	12m-15m
Grimsby	12m-15m
Haldimand	15m-18m
Hamilton	12m-18m
Kitchener	13m-15m
Mississauga	12m-22.5m
Norfolk	15m-18m
Waterloo	13m-15m

Chart Source: MMI.

Municipalities face trade-offs when changing any of these rules; higher orders of government can also indirectly change them by setting minimum standards that municipalities must meet. Provinces can legislate these minimum standards, while the federal government is forced to rely on programs such as the Housing Accelerator to incentivize municipalities to make changes. However, all governments should recognize that overly cumbersome requirements limit the creation of attainable gentle-density homes.

A lack of regulatory harmonization across municipalities

Zoning is a major area of municipal housing disharmonization across Ontario municipalities, but it is not the only one. For example, the 2025 OREA report [Building More, Building Faster](#), notes that municipalities differ in their definitions of factory-built housing, which makes a home that is possible to build in one municipality forbidden in another. Differences in permitting systems and municipal processes pose barriers for smaller builders and developers seeking to expand into a new community, as they must spend time and money familiarizing themselves with local requirements. These barriers limit competition, raising prices for homebuyers and renters, and particularly limit the scaling up of factory-built approaches to housing, making it challenging for Canadian housing manufacturers to reach scale. Limiting the growth of these companies acts as a drag on the local economy and employment, and restricts their ability to export to other markets.

Prohibitively high development charges, fees, and taxes

The price of homes, both new and resale, has made them out of reach for many young, middle-class families in Ontario. And while resale prices have fallen since their February 2022 peak, the cost of building homes had not until the two recent agreements between the federal government and the province of Ontario. The disconnect between the cost of homebuilding and home prices has contributed to 2025 new- and pre-construction home sales in the Greater Toronto Area and Greater Golden Horseshoe being 80% lower than their historical averages.

Over the last 25 years, government taxes and fees have been among the highest and fastest-growing costs of homebuilding. Development charges can add up to \$200,000 to the cost of building a home in Ontario. A recent report from the Ontario Real Estate Association (OREA) and the Missing Middle Initiative notes that development charges for some housing forms have risen by more than 5,000% in the City of Toronto since 2000. Had other prices in our economy risen at the same rate, a small donut shop coffee that cost \$1.25 in 2000 would cost \$66 today, and a small, family sedan would have risen in price from \$24,000 to \$1.3 million.

High, rapidly rising development charges are not inevitable; they are a policy choice. Altus Group, on behalf of the Canadian Home Builders' Association, estimated per-unit development charges and related fees for a low-rise project across 2 dozen Canadian municipalities as of October 2024. While development charges in some communities approached \$200,000, they were less than one-tenth this amount in Winnipeg, St. John's, Charlottetown, and Moncton, as shown in Figure 15. Even within Ontario, development charges in Oakville were three times higher than in London. And some Ontario communities, such as Sault Ste. Marie lack development charges entirely.

Development charges are not the only government levy that increases the cost of building a new home. A November 2024 report from CANCEA shows that, on average, a \$1 million new home in Ontario will include \$130,000 in development charges and related fees, \$110,000 in HST, and nearly \$20,000 in land-transfer tax, for a total of \$ 260,000. That figure does not include income and corporate income taxes generated from the construction and sale, which CANCEA estimates to generate \$115,000 in revenue for the federal and provincial government.

The introduction of enhanced HST rebates and reduced development charges will help lower the cost of new homes, leading to more of them being built. These policies, however, come with an expiry date, so governments must seek permanent solutions to reduce these costs.

Figure 15: Total Municipal Fees per Unit, by Municipality, Low-Rise, Development Scenario, 2024

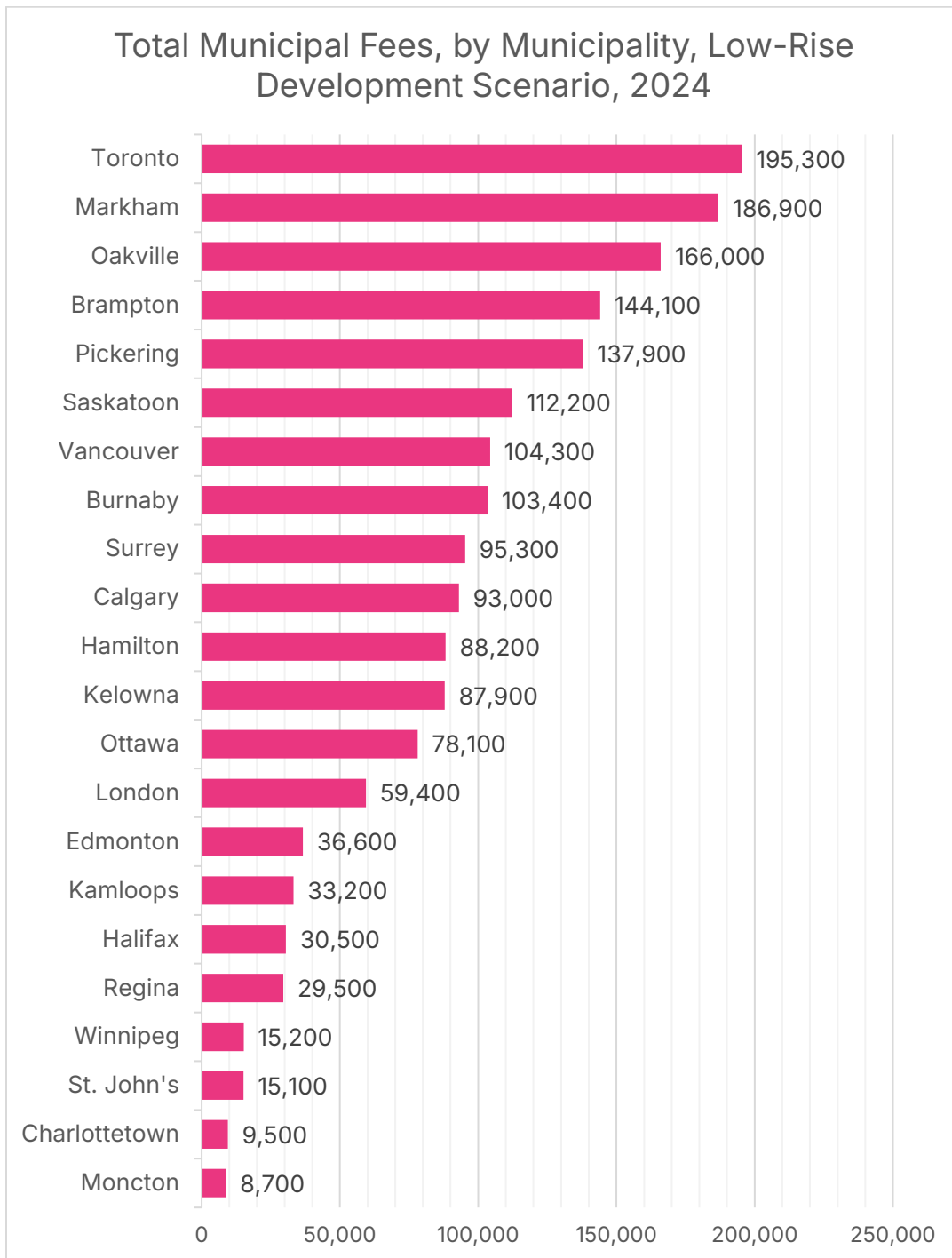


Chart Source: [Altus Group](#). The cost represents a per-unit cost for a project comprising 50 single-detached units (2,500 sq. ft. each) and 75 townhouses (1,800 sq. ft. each), with 6.9 hectares of development combined, and with engineering costs accounting for 10% of overall construction costs. Fees include, where appropriate, development charges, levies, infrastructure fees, density bonusing, community benefit charges, parkland dedication, and planning application fees.

Obtaining construction financing

Experienced developers who want to build a fourplex on an existing lot should have the experience and knowledge needed to obtain construction financing for a project, though the 2026 Missing Middle report, [A Blueprint to Restore Homeownership for Young Canadians](#), notes gaps in existing financing programs that work against gentle-density housing. For example, projects with fewer than five units cannot access the CMHC's Apartment Construction Loan Program (ACLP).

Existing homeowners who wish to add gentle-density, such as an Accessory Dwelling Unit (ADU), face a different set of challenges. Their lack of experience and track record can make it challenging to obtain financing through conventional lenders. This creates a role for governments to provide assistance to families when navigating financing options, or to offer their own lending or grant programs where appropriate.

Access to electricity

Homes need electricity, and the demand for higher service levels is growing exponentially due to the increased need for electric vehicle charging stations, heat pumps and other electric heating systems, and renewable energy systems. Running multiple high-wattage systems simultaneously can overwhelm 100-amp services. In most new single-detached builds over the last 20 years, 200-amp service has become the norm, but in many older neighbourhoods, most homes have 100-amp service, and 60-amp service levels are not uncommon.

A homeowner who wishes to add a basement suite or another form of ADU may need to upgrade to 200-amp service if they do not currently have it. This is a relatively straightforward process, but it will cost the homeowner a few thousand dollars, rarely exceeding \$10,000, with the cost and timelines dependent on several factors, such as whether the service is overhead or underground.

Multiplex homes, however, often require service levels above 200 amps, and this can be difficult and expensive to obtain in existing neighbourhoods. The higher the service level, the more challenging it is to obtain, and both developers and local electricity distribution companies (LDCs) have an understandable tendency to overestimate electrical load to err on the side of safety. This often leads multiplex builders to seek service of 400-amps or higher.

Obtaining this level of service can be incredibly time-consuming and expensive, depending on the municipality and neighbourhood. The costs are incredibly variable; in some cases, they are not considerably more expensive than adding 200-amp service, but in some municipalities, they can exceed \$100,000, and timelines can exceed a year. Additionally, in some cases, adding such a service will necessitate installing a dedicated, separate pad-mounted transformer on the property, which counts against the proportion of impermeable objects on the property and can reduce the amount of land available for housing. All of this can render gentle-density projects unviable.

Some technologies can help. Smart load management systems, for example, can help some multiplex homes run on 200-amp service by dimming or pausing non-essential loads, such as EV chargers. These systems can help avoid the need to upgrade to 400-amp service, though their purchase and installation can cost between \$10,000 and \$50,000 for a multiplex project.

Ways to break down the barriers preventing gentle-density housing

There is no shortage of challenges in building gentle-density housing, as shown in the previous section. However, most of these issues are solvable through smart public policy. And in some cases, like zoning, those challenges are self-inflicted, so the solution for government is to get out of the way.

Form-based zoning for low-density neighbourhoods

Rules for low-density zones in most municipalities are incredibly prescriptive, placing a multitude of restrictions on what can and cannot be built. While some rules are necessary to maintain these neighbourhoods as low-density, many address issues already well-regulated by the building code, creating a parallel set of requirements. This introduces unnecessary red tape, requiring compliance with two sets of differing rules covering the same issue, and it also creates regulatory disharmonization between municipalities, as their bespoke zoning rules differ.

Form-based zoning eliminates these issues. In such a system, low-density zones still have setback requirements and minimum landscaping requirements, but otherwise, builders are free to build any purely residential structure, or combination of purely residential structures, on a lot, so long as those structures comply with Part 9 of the Building Code, which governs the construction of low-rise residential structures under 600 m². This creates a virtual box that developers can build in, as shown by Figure 17.

Figure 17: Form-Based Zoning

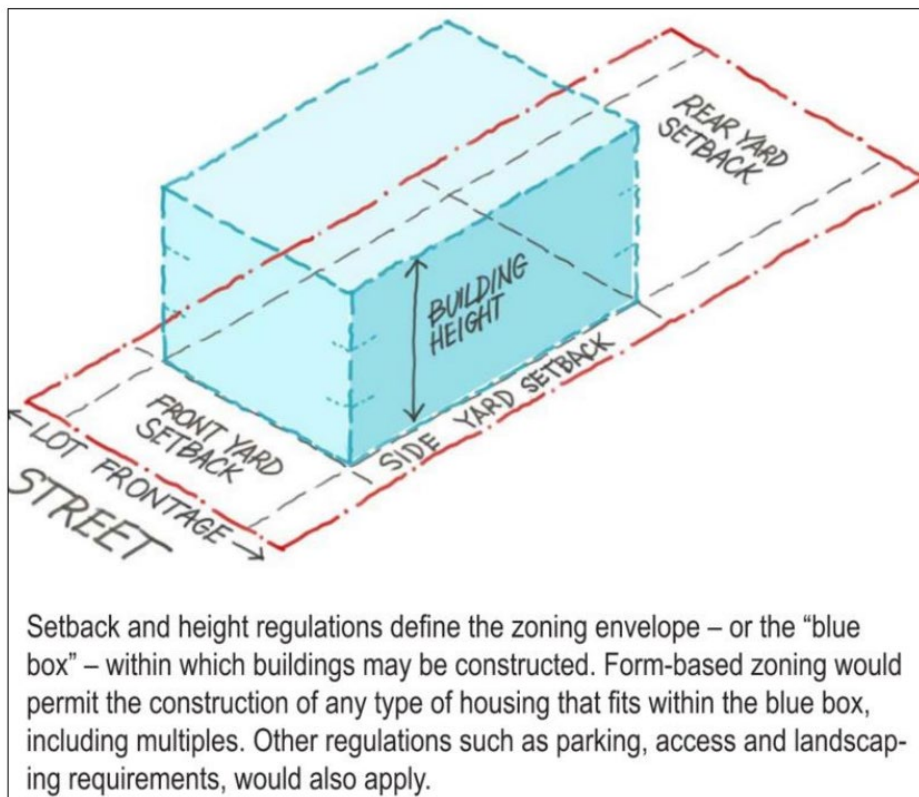


Chart Source: [City of Cambridge](#)

Cambridge is one of the first communities in North America to embrace form-based zoning, releasing a proposed form-based zoning bylaw in 2025. However, there are some deviations from true form-based zoning, so the proposed system can best be characterized as form-based-inspired. For example, there are two separate detached zones on non-private serviced land, each with a different height requirement (three and four storeys, respectively), rather than a single zone that is aligned with Part 9 of the provincial building code. And in February 2026, the council voted to amend the recommendation report, adding a clause that would limit the number of as-of-right units in R1 and R2 zones on non-collector roads to four.

While these deviations prevent Cambridge's system from being a true form-based zoning system, they are steps in the right direction. If other municipalities in Ontario were to adopt similar form-based inspired zoning, it would create regulatory harmonization, making it easier for factory-built housing and other modern methods of construction to reach scale. Though these reforms need not be implemented on a municipality-by-municipality basis, the provincial government could mandate form-based zoning province-wide. If they feared that this would cause too much pushback from voters, they could start by mandating form-based zoning for all new low-density neighbourhoods and by setting a required zoning standard, R-GZ (gentle zoning), that would apply to any low-density non-infill developments. The province could then encourage municipalities to extend this zoning to existing neighbourhoods where appropriate. Similarly, the federal government could encourage such a move as a condition of receiving funds under future versions of the Housing Accelerator Fund or other infrastructure funding agreements.

In the absence of provincial or federal action, we would encourage all municipalities to adopt full form-based zoning, allowing for as-of-right construction of any residential unit that complies with Part 9 of the building code, provided it meets the setback and maximum lot coverage ratio requirements. Not only would this allow for a wider variety of gentle-density housing homes to be built, but it would also create a de facto harmonization of low-density zones between municipalities, as they would all be based on a similar standard.

Harmonizing lot widths, setback requirements, lot width minimums and maximum lot coverage ratios

Even if every municipality were to adopt full form-based zoning, significant disharmony would remain, limiting modern construction methods for gentle-density housing to reach scale. The provincial government should look to harmonize other rules where appropriate. Minimum lot widths and maximum lot coverage ratios would be good places to start, though the lot coverage rules must be set to a level that does not increase flood risk in low-density neighbourhoods. With its ERO 025-1100 consultation to prevent municipalities from setting minimum lot size requirements exceeding 175 square meters, the province is taking the first step in this direction. In a piece for TVO, John Michael McGrath noted that a similar move in Texas sparked a wave of townhome construction. It can facilitate all types of gentle-density infill and, by subdividing existing lots, create opportunities for new homes to be owned by their occupants rather than rented.

Reforming development charges and housing construction taxes

There are a number of straightforward reforms that governments can implement to taxes and charges that would lower the cost of constructing new, gentle-density homes, leading to more of them being built and making them more attainable for those who need them. These reforms include the following:

HST: The agreement to offer a full HST rebate for homes under \$1 million will help get more gentle-density homes built and sold over the year in which it is in effect. The two governments should consider extending the agreement, if not making it permanent. After all, prior to the agreement, the federal GST New Housing Rebate, which offered a partial rebate for new homes priced at \$450,000 or less, had never been adjusted for inflation since its inception in 1991, despite the government of the day promising it would be.

Over the long term, both the federal and provincial governments should consider whether it is appropriate to charge HST on basic, entry-level homes at all. The argument for not charging HST on simple homes is relatively straightforward. First, it acknowledges that the federal government's National Housing Strategy Act "recognize[s] that the right to adequate housing is a fundamental human right affirmed in international law". Second, the design of the HST is that it "zero-rates", that is, assesses a 0% rate, to consumers who are purchasing the necessities of life, such as basic groceries. It is not unreasonable that a relatively modest home for a family to raise a child or two should also be zero-rated.

Land Transfer Tax: The same holds for land-transfer taxes. The province of British Columbia recognizes that it needs new, non-luxury homes. With this recognition, B.C. provides a full exemption from their property transfer tax for new homes priced under \$1.1 million. Ontario (and the City of Toronto, which also has a land transfer tax) could do the same.

Development Charges: There is an understandable, if erroneous, belief that higher property taxes would be necessary to offset any reduction in development charges, and that any changes to development charges change who pays for infrastructure, with no overall reduction in cost. Neither is true.

Consider the construction of a new wastewater treatment plant, which is funded by development charges on new residential properties. The developer pays those charges, the same way they would for a sheet of drywall or an hour of a roofer's time, and incorporates those costs into the final cost of the home. The buyer of that home then finances that home, including the embedded costs of the wastewater treatment plant, at residential mortgage rates.

There are alternative, cheaper methods. Instead of financing the wastewater treatment plant through development charges, it could be financed by the utility itself, through a government bond, with a surcharge added onto the monthly bill of every water user until the bond debt is paid off. Because the interest rates on government bonds are lower than residential mortgage rates, the financing costs for that plant are substantially lower. It is the same plant, being paid for by the same people, but the overall costs are reduced.

The 2026 OREA report, A Pathway to Development Charge Reform, co-authored by the Missing Middle Initiative, contains seven recommendations to lower development charges without an offsetting increase in property taxes. Recommendation 3 is particularly important, as it would

create a transparent, direct-to-buyer development charge (DC) billing model and exempt development charges from HST and land transfer taxes. As the report notes, such a model would simultaneously reduce the after-tax price of a new home and increase transparency:

A direct-to-buyer model would fix this inefficiency by treating DCs the same way homebuilders already handle GST and HST. The charge would appear as a separate, transparent line item on the purchase agreement, collected from the buyer and remitted directly to the municipality by the builder. It would be financed through the buyer's mortgage rather than paid upfront like the LTT, while ensuring buyers contribute to infrastructure through long-term financing rather than additional out-of-pocket costs.

Because the charge would be separated from the home's taxable price, governments could exempt it from HST and LTT, removing the compounding tax-on-tax that currently inflates home prices. This structure would also relieve builders of the need to advance large sums or finance them through construction loans, lowering project costs and reducing risk.

The result would be a system that mirrors existing processes for sales taxes, where builders act as flow-through collectors rather than taxpayers themselves. It would make the true cost of local infrastructure visible to buyers while preserving the simplicity of the mortgage process.

This reform would reduce financing costs, eliminate layered taxation, and lower the total cost of new housing by tens of thousands of dollars. It would create a fairer, more transparent, and accountable system that directly connects homebuyers' contributions to the infrastructure that supports their communities and helps to restore trust in how funds are collected and used.

Development charges can also be reformed to recognize that when gentle-density housing is added to existing neighbourhoods with excess infrastructure capacity, the increased property tax revenue that governments will collect will more than offset any upfront costs of new infrastructure. Municipalities should review the rates they impose on new, infill, gentle-density housing relative to the cost of servicing those homes and adjust rate schedules accordingly.

High and rising development charges, which make new gentle-density housing prohibitively expensive, are unnecessary. There are a multitude of options to lower them.

Creating and enhancing financing vehicles for gentle-density housing

Adding an ADU, or other forms of gentle-density housing, can be challenging for existing homeowners, who may lack the ability to obtain construction financing. Fortunately, governments have created programs to help address this.

Federally, the CMHC offers a [Canada Secondary Suite Loan Program](#), which provides up to an \$80,000 loan at a 2% interest rate, amortized over 15 years, for the creation of a secondary suite, provided certain conditions are met.

A variety of initiatives exist at the municipal level, including the following:

Cambridge: The City of Cambridge offers a [one-time grant](#) of up to \$10,000 to defray construction and infrastructure costs for the building of an additional residential unit.

Kitchener: Kitchener has a [number of programs](#) designed to accelerate gentle-density and missing middle housing. These include a development-charge rebate program for accessory dwelling units and a Missing Middle Affordable Housing Grant program for projects with five or more units that meet certain requirements.

Mississauga: Mississauga offers [gentle density rebates](#) for homeowners who add second, third, and fourth units to their properties. As of April 2026, the City has issued nearly \$600,000 in rebates to encourage the development of gentle-density housing.

These programs, and many others across Canada, provide a template for communities that wish to incentivize the construction of gentle-density housing in existing neighbourhoods.

Working with local electricity distribution companies (LDCs) to ensure a timely and affordable access to sufficient amperage

The easiest way to ensure that a lack of electricity does not slow an infill, gentle-density project is to avoid over-engineering the electrical infrastructure. Environmental Defence's November 2024 report, [The Midrise Manual](#), provides a useful recommendation in this area. Although their report focuses on building housing types that would not be considered gentle-density, their design standard recommendation applies equally well to gentle-density projects outside of the City of Toronto:

Request Toronto Hydro to prepare an intermediate design standard for optimized electrical service to smaller mid-rise buildings (i.e. smaller than the vault size required for tall buildings) and provide conditions for pre-approval. This would reduce costs, uncertainty and simplify the approvals process.

They also provide a helpful recommendation that would help scale up factory-built housing, a key tool for increasing gentle-density in existing neighbourhoods:

Update sections 8-200 and 8-202 of the Ontario Electrical Safety Code and allow electrical engineers to submit performance-based residential load calculation as alternative compliance method for new construction. This would ensure electrical service is appropriately sized to reflect actual conditions.

Smart load management systems can also help avoid the need for expensive upgrades to 400-amp (or higher) service. Earlier this year, Toronto Hydro launched its [Multiplex PowerPlay Pilot Program](#), which will provide up to \$50,000 in grants to fund the purchase and installation of a smart load management system for six multiplex projects in the city. Other municipalities should be watching this program and, if it proves successful, introducing similar initiatives in their communities.

However, we must recognize that in many cases, upgrades to higher amperage service will be required, particularly as electric vehicle charging systems and electric heat pumps become increasingly popular. Municipalities should work with local utilities to make it easier to access electricity, identify sites where 400-amp service (or higher) would be relatively inexpensive to provide, and make the necessary infrastructure investments to ensure ease of access across the community. As part of this initiative, it will be necessary to increase access to three-phase power on residential side streets, as it is simply not feasible to run a standard elevator motor without it.

Creating ownership opportunities for gentle-density housing

A common objection to increasing the supply of gentle-density housing is that it only creates rental options and does nothing to help families who wish to own a home. This is an oversimplification; after all, if gentle-density creates options for existing owners to downsize into smaller, rental options, it frees up ownership opportunities for the next generation of families. However, it is not incorrect to suggest that, currently, in Ontario, new gentle-density housing in existing neighbourhoods is overwhelmingly used as rental housing. However, it does not have to be this way.

The most straightforward way to create gentle-density ownership options is to subdivide a lot so that each gentle-density home is on a separate lot. Reducing minimum lot sizes will, in some cases, make this more viable.

For forplexes and larger multiplexes in Ontario, however, in most cases the only viable option for creating ownership opportunities is to treat the building as a condo, which Sonya Meloff from Build Toronto [notes](#) is prohibitively expensive:

A builder who wants to sell units in a new fourplex must still complete a full condominium application—the same process used for a 200-unit tower—circulated among departments, reviewed under subdivision criteria, and subject to thousands of dollars in fees. Owners of older multiplexes who wish to convert them to ownership face additional hurdles: city policies meant to preserve rental stock require special permissions even when tenants are already protected by provincial law. To register a building, architects and engineers must sign certificates designed to certify proper construction, a cumbersome requirement for homes built decades ago. Each of these steps adds friction, cost, and uncertainty to what should be a straightforward process.

The result is that while multiplexes are now permitted, they are difficult to sell to the end user. A builder can sell an entire four or six-unit building to an investor, but not individual homes within it unless they complete the condominium application process. That restriction sharply limits liquidity through additional costs and delays to the process. It discourages builders who might otherwise construct multiplexes for ownership, and it hinders investors from partially divesting their holdings or allowing tenants to buy the units they live in. Large developments and condo towers have clear, established

channels for ownership exchange, but small buildings do not. This unique structural barrier pushes new multiplex projects toward rental-only models, narrowing pathways into ownership and reducing the very diversity of tenure that the city's zoning reforms were meant to encourage.

Meloff notes that other jurisdictions have found solutions to this problem. British Columbia's Small-scale, multi-unit housing system allows for a relatively inexpensive, streamlined process to register multiplexes as condos. Oregon allows for cottage clusters and multiplexes in a non-stacked arrangement to easily carve a lot into individually owned pieces, without engaging in an expensive subdivision process, while allowing shared service agreements for shared infrastructure such as driveways.

Meloff offers a number of recommendations in her piece, with the first, to have the province "[amend] the *Condominium Act*, S.O. 1998, c. 19 to exempt residential buildings with ten or fewer units from the condominium draft plan process", being the most vital. Municipalities should highlight the importance of these reforms to the provincial government, and work with the province on design and implementation.

Recommendations

Increasing the availability of attainable gentle-density housing won't just happen; it will require a series of policy reforms. It will require tackling the five largest bottlenecks to building gentle-density housing: zoning and approval processes that deter gentle-density; a lack of regulatory harmonization between municipalities; prohibitively high taxes, fees, and charges; challenges obtaining construction financing; and uneven access to sufficient electricity. Additionally, to ensure that gentle density works for all family types, reforms are needed to allow occupants to purchase gentle-density units rather than just rent them.

These challenges must be addressed in a way that is sensitive to local concerns, while also respecting Canada's division of powers. The tools needed are split across multiple orders of government. To break down these barriers, we have provided a list of 15 recommendations, split evenly across three orders of government.

Municipal recommendations

Recommendation 1: Institute a series of zoning reforms to gradually transition to full form-based zoning for both existing and new low-rise neighbourhoods.

A handful of communities across Canada, including Cambridge, are transitioning low-rise residential neighbourhoods to form-based zoning to create gentler-density housing options. Form-based zoning allows any Part 9 residential structure to be built in a low-rise neighbourhood, provided it complies with setback and lot coverage ratios. Under such a system, unit maximums are abolished, and building size and height limits are set by the building code, rather than through zoning.

No community in Ontario has fully embraced form-based zoning by eliminating zoning-based height limits and unit maximums, due to residents' concerns in existing neighbourhoods. We believe that exposure to the benefits of form-based zoning will lessen these concerns. As such, we recommend that municipalities start by introducing form-based zoning in new neighbourhoods, then gradually introduce it to existing neighbourhoods. They can do so through the following reforms:

- a. **Create a form-based new gentle-density zone, R-GZ, or modify an existing low-density zone, to allow for the as-of-right construction of any residential structure compliant with Part 9 of Ontario's Building Code.** This zone should use form-based zoning (thus eliminating the need for unit maximums), eliminate lot width requirements, and eliminate height restrictions, as these are made redundant by the height limitations in the building code. Maximum lot coverage ratios should be set to 55% across all the units on a lot, with no maximums on individual units, to allow for a more diverse set of housing forms, such as pocket neighbourhoods.
- b. **Gradually transition existing neighbourhoods over to the new R-GZ gentle-density zone.** This transition should start by focusing on neighbourhoods where needs are greatest, and residents are most supportive of gentle densification.
- c. **Reduce the number of low-density residential zones and align them with neighbouring municipalities.** This harmonization enables greater economies of scale in homebuilding and makes it easier to adopt modern construction methods in infill projects.

Recommendation 2: Reduce or eliminate minimum parking requirements to facilitate the creation of additional units on existing lots.

Government-mandated unit-based parking minimums can often be excessive, limiting the ability to create gentle-density options in both existing and new neighbourhoods.

Recommendation 3: Create forgivable loan or grant programs for the construction of Accessory Dwelling Units (ADUs).

A number of municipalities across Ontario, including Hamilton and Cambridge, offer programs to help homeowners cover the up-front costs of adding ADUs to their properties. ADUs can be a highly effective way to create options that allow existing residents to stay in their neighbourhoods as their needs change, from teenagers going into adulthood to downsizing seniors.

Recommendation 4: Reform development charges to facilitate the creation of gentle density.

Development charges are a tool to pay for the increased infrastructure needed to support development. However, gentle density projects often require no new infrastructure and can make more efficient use of existing infrastructure while also increasing the property tax base.

The recent agreement between the federal government and the province of Ontario to lower development charges by up to 50% over the next three years will significantly reduce the cost of homebuilding, making it more attainable for families to move into a home that meets their needs. It is, however, a time-limited solution, so municipalities should use this period to develop permanent solutions to lower development charges without shifting those costs onto the property tax base, as outlined in a recent OREA report.

Municipal governments should also audit the level of development charges they assess on gentle-density housing, particularly in existing neighbourhoods that have excess service capacity.

Development charges are ostensibly used to finance the construction of new infrastructure to support the growth of the housing stock. However, if a new home can be created with little to no

new infrastructure, then high development charges on these units are unnecessary expenses that risk putting new housing out of reach of those who need it.

Recommendation 5: Work with local utility providers and electricity distribution companies (LDCs) to ensure that gentle-density projects can easily and inexpensively access necessary infrastructure, including appropriate levels of electricity, water, and wastewater services, and to adopt measures similar to Toronto Hydro’s Multiplex PowerPlay pilot.

Nobody will live in a home if they cannot turn on the lights or flush the toilets. A lack of access can pose a barrier to these services. So, too, can overly cautious assumptions about remaining capacity and the amount of energy and water that is needed.

In the case of gentle-density infill projects, access to sufficient electricity can often pose a barrier. Multiplex projects often require 200- or 400-amp service, or even higher in cases with many units or heavy use of heat pumps and EV charging. Obtaining this level can often be expensive and time-consuming, which can deter the building of gentle-density. As well, developers and utilities can often overestimate the level of service required.

Since electricity needs at the unit level can be overestimated, we would echo the recommendation of Environmental Defence, whose Mid-Rise Manual recommends that municipalities “request or require local electricity distribution system operators to publish a design standard for optimized electrical service to multi-unit buildings to reduce costs, delays and over-engineering.”

Meanwhile, in communities in Waterloo Region, concerns about potential water capacity issues have limited development.

This has led to a third-party investigation into the issue. While that work continues, we recommend that municipalities take the following steps:

- a. **Follow the guidance of Environmental Defence’s Mid-Rise Manual, which advises municipalities to “request or require local electricity distribution system operators to publish a design standard for optimized electrical service to multi-unit buildings to reduce costs, delays and over-engineering”.**
- b. **Work with local distribution companies to provide maps of where 200- and 400-amp service is cost-effectively accessible and provide public service guidelines on the expected timeline and cost to provide 400-amp and higher service without property owners first having to submit a service upgrade request.**
- c. **Encourage local distribution companies to adopt pilot projects such as Toronto Hydro’s Multiplex PowerPlay program, which provides up to \$50,000 for smart-load management systems for gentle-density infill projects of 4-6 units.**
- d. **Recognize that the province is in a housing crisis, and only delay approvals on water access issues when there is absolutely no other alternative, and consider construction and development time when approving water capacity for a project.**
- e. **Recognize the risks to the community caused by housing shortage, and work with local utilities to ensure there is always ample electricity, water, and wastewater capacity to allow for growth.**

Provincial recommendations

Recommendation 6: Harmonize rules and remove barriers to gentle-density housing by instituting a series of zoning reforms to gradually transition to full form-based zoning for both existing and new low-rise neighbourhoods, and by amending the building code.

Provinces can aid in the gradual transition towards form-based zoning for existing neighbourhoods. Having the province set minimum standards for municipalities has the added benefit of introducing system-wide harmonization, which can aid the use of modern methods of construction, particularly on infill projects.

We recommend that provinces take the following steps:

- a. **Create a form-based new gentle-density zoning standard, R-GZ, that would allow for the as-of-right construction of any residential structure compliant with Part 9 of Ontario's Building Code.** This zone should use form-based zoning (thus eliminating the need for unit maximums), eliminate lot width requirements, and eliminate height restrictions, as these are made redundant by the height limitations in the building code. Maximum lot coverage ratios should be set to 55% across all the units on a lot, with no maximums on individual units, to allow for a more diverse set of housing forms, such as pocket neighbourhoods.
- b. **Require municipalities to adopt this new form-based gentle-density zone, R-GZ, for all new (greenfield) low-rise developments.**
- c. **Provide incentives, under the Building Faster Fund, or other mechanisms, to municipalities that re-zone existing low-rise neighbourhoods to the new R-GZ gentle-density zone.**
- d. **Implement the proposed regulation, currently under consultation (ERO 025-1100), that would set a uniform minimum residential lot size of 175 square metres across the province, under the *Planning Act* and *City of Toronto Act, 2006*.**
- e. **Continue to push towards greater harmonization, standardization, and alignment of processes, procedures, and rules between municipalities.**
- f. **Incorporating all CSA standards into the Ontario Building Code.** This recommendation from OREA's 2025 [Building More, Building Faster](#) report would help accelerate the adoption of modern methods of construction and factory-built homes across every municipality in Ontario: "Fully harmonizing the standards would support ongoing reforms, such as syncing federal and provincial regulations for prefabricated septic systems, heat-resistant materials, and several definitions that were previously unharmonized."

Recommendation 7: Follow the lead of jurisdictions such as British Columbia and Oregon to create simple pathways to allow individual gentle-density housing units to be owned by their occupants.

Families of all shapes and sizes are looking for opportunities to own their own home. Unfortunately, regulatory barriers make this a cost-prohibitive option in most cases, particularly for multiplexes. Currently, developers of fourplexes or sixplexes who wish to sell individual units must go through the same lengthy, expensive full draft plan-of-condominium process as a high-rise. This can be addressed by creating streamlined processes for buildings with 10 units or fewer, as in British Columbia, or by adopting rules similar to Oregon's Middle Housing Land Division, which makes it easy to split the property under units of a multiplex into individually owned parcels of land.

Recommendation 8: Reform development charges to provide financial relief for new development.

The recent agreement to reduce development charges for three years will help build attainable, gentle-density homes. It is not, however, designed to be a permanent solution, but it does give the provincial government time to design and implement structural changes to development charges in the province.

The OREA report *A Pathway to Development Charge Reform* provides a series of practical recommendations on ways that the provincial government can reduce development charges, lowering the cost of building new homes, while not shifting those expenses onto property taxes. In particular, we would recommend the province take the following actions:

- a. Implement the proposed three-year development charge reduction as soon as possible to avoid homebuilding delays in a way that ensures that both ownership-based housing and purpose-built rental housing receive equivalent development charge reductions.**
- b. Make development charges exempt from the provincial portion of HST and land transfer taxes.** The province can substantially lower the price of new homes by removing tens of thousands of dollars of interest costs, junk fees, and tax-on-tax from the cost of new homes by implementing a transparent direct-to-buyer development charge (DC) billing model that exempts DCs from the provincial portion of HST.
- c. Lower development charges through the use of municipal service corporations.** The provincial government can lower tax bills and interest costs by reducing infrastructure construction costs through alternative financing mechanisms, such as municipal service corporations and municipal utility districts, thereby removing these expenses from development charges.

Recommendation 9: Follow the lead of British Columbia, and provide a full exemption on the land-transfer tax for newly constructed homes valued under \$1.1 million.

This can help add much-needed gentle-density ownership options.

Recommendation 10: Extend the enhanced HST rebate on new owner-occupied housing beyond one year.

The recent agreement between the federal government and the province of Ontario to provide a 100% HST waiver for one year on new, owner-occupied housing will make homes more attainable for middle-class families. This policy expires on March 31, 2027; it should be extended for at least one more year and, perhaps, made permanent, to align with Canada's four westernmost provinces, which do not assess provincial sales taxes on new homes.

Federal recommendations

Recommendation 11: Create construction financing vehicles for gentle-density housing.

One of the largest barriers to creating gentle density housing is obtaining pre-construction financing. The federal government can assist with that through the following reforms:

- a. **To increase the supply of missing middle housing, create an application stream in the CMHC's Apartment Construction Loan Program (ACLP) for smaller builders who wish to build 2-4 unit buildings or require loans less than \$1 million in size.** Many gentle-density projects do not meet the 5-unit and \$1 million minimums required by the ACLP program. This reform would help fill that gap.
- b. **Develop a green retrofit and accessory dwelling unit (ADU) acceleration plan to address financial and other barriers to homeowners making a climate-friendly retrofit or adding an ADU to their property.**

Recommendation 12: Increase the number of gentle-density options in the CMHC Housing Design Catalogue.

The CMHC housing design catalogue can help small-scale developers build gentle-density housing in existing neighbourhoods. Unfortunately, the options are limited for Ontario, with just 7 available designs, only one of which has four bedrooms. Increasing the diversity of options, from ADUs to stacked townhouses, can lower barriers to developing gentle-density options in existing neighbourhoods.

Communities across Canada, such as St. Catharines and Mississauga, have begun to develop their own housing design catalogues. The CMHC should work with these communities to incorporate their designs, when appropriate, into the CMHC catalogue, to help increase the number of options and create economies of scale as the designs are adopted across the country.

Recommendation 13: Implement the 2025 campaign promise to reintroduce the MURB program and ensure it is designed in such a way that it can be used to create gentler-density housing.

During the 2025 election, the federal Liberals campaigned on re-instituting the 1970s-era Multi-Unit Rental Building (MURB) tax provision. Such a provision, if well-designed, can facilitate the private sector in building much-needed missing-middle rental housing and channel investor dollars toward new construction, rather than competing with families for single-family homes. The federal government should launch consultations on the program's design to ensure that rental projects that begin construction on or after January 1, 2027, are eligible for the tax provision.

Recommendation 14: Tie future federal housing and infrastructure funding to provinces and municipalities to the adoption of pro-gentle density housing reforms.

Through programs such as the Housing Accelerator Fund and the Build Communities Strong Fund, the federal government is providing tens of billions of dollars to provinces and municipalities to create housing-enabling infrastructure. The federal government should ensure it receives the full value of that investment by requiring provinces and municipalities to create the necessary conditions to enable the construction of gentle-density homes. At a minimum, the federal government should require:

- a. **The creation of a form-based, gentle-density zone, R-GZ, for all new greenfield low-rise developments.**

- b. Development charge reform to enable the construction of gentle-density housing, for both rental and ownership.** As part of the Building Communities Strong Fund, the federal government has earmarked over \$12 billion for development charge reform. In negotiating a deal with provincial governments, they should require a shift towards municipal service corporations to ease the upward pressure on development charges (Recommendation 8c of this report) and require a shift towards a buyer-pay model of development charges, which would exempt them from HST and other taxes (Recommendation 8b). They should also require provinces to create regulatory pathways to allow for individual units in multiplexes to be owned by their occupants (Recommendation 7). Finally, they should ensure that some of the \$12 billion is allocated to lowering development charges for gentle-density housing, both ownership and rental.

Recommendation 15: Reform the GST to lower the cost of housing construction.

In 2023, the federal government introduced a temporary 100% GST (or federal portion of HST) rebate for the purpose-built rental construction sector. However, GST/HST continues to be an issue for ownership-based housing and can block or make more expensive valuable gentrified housing. The federal government can address that through the following reforms:

- a. Make development charges exempt from the federal portion of HST.** The federal government can work with provinces to substantially lower the price of new homes by removing tens of thousands of dollars in interest costs, junk fees, and tax-on-tax from the cost of new homes, by implementing a transparent, direct-to-buyer development charge (DC) billing model that exempts DCs from the federal portion of HST.
- b. Extend the enhanced HST rebate on new owner-occupied housing beyond one year.** The recent agreement between the federal government and the province of Ontario to provide a 100% HST waiver for one year on new, owner-occupied housing will make homes more attainable for middle-class families. This policy expires on March 31, 2027; it should be extended for at least one more year and, perhaps, made permanent, to align with Canada's four westernmost provinces, which do not assess provincial sales taxes on new homes.

Final Thoughts

Despite recent easing in home prices from their 2022 peak, the housing crisis is still with us. And with the current disconnect between home prices and construction costs, we risk entering a prolonged slump in new housing construction, which would worsen pre-existing housing shortages.

Gentle-density housing can enable the creation of more homes in existing neighbourhoods and in better-designed new neighbourhoods while maintaining the features and scale that existing residents value. It creates opportunities for seniors to downsize without leaving the neighbourhood they love, and for young families to have homes large enough to raise children while living close to their parents, allowing grandparents to see their grandchildren regularly.

Unfortunately, the current regulatory environment is not well-designed to allow for gentle-density housing. But that is a solvable problem. If each order of government were to implement the five recommendations given to them in this report, we could create high-quality neighbourhoods that are attainable for families of all shapes and sizes, and give young people an opportunity to own their first, and possibly their forever, home.

Missing Middle Initiative's North Star: A Canada where every middle-class individual or family, in every city, has a high-quality of life and access to both market-rate rental and market-rate ownership housing options that are affordable, adequate, suitable, resilient, and climate-friendly.

This report was written by Mike Moffatt.

This project was undertaken with partnership from Cornerstone Association of REALTORS®. Cornerstone is a not-for-profit organization with over 325 years of collective service from its founding associations.

Established on July 1, 2024, Cornerstone leads with purpose, advocates boldly, and creates positive change for the success of our members throughout Burlington, Haldimand County, Hamilton, Mississauga, Niagara North, Norfolk County, Waterloo Region, and surrounding areas.

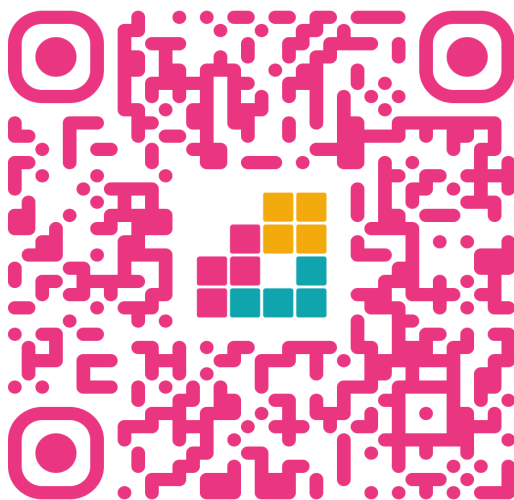
With approximately 7,500 members, Cornerstone is the second-largest REALTOR® association in Ontario, dedicated to promoting the greater good of the real estate community.

To explore more of the Missing Middle Initiative's work, please visit our website by scanning the QR code below, or subscribe to our podcast The Missing Middle on YouTube or wherever you get your podcasts.

Our Podcast



Our Website



Missing Middle Initiative
1 Stewart St, Ottawa, ON, K1N 6E2

