

Background and Analysis

The comprehensive update to the Grey Highlands Zoning By-law 2004-50 is a statutory requirement under Section 26 of the *Planning Act*, triggered by the adoption of an updated Official Plan and reinforced by significant shifts in provincial policy, housing priorities, and community expectations since the current by-law was passed more than two decades ago. Although the process has been ongoing since 2021, strong focus on updating the By-law has been ensued since Spring in 2025, with a draft being presented and open house being held in June of last year.

The purpose of this report is to summarize the input received at the April 27, 2026 statutory public meeting, as well as during one-on-one conversations with those circulated due to mapping changes, and to provide Council with clear options for resolving the most contentious outstanding issues, which include: (1) the application of holding (H) provisions tied to natural heritage and karst features, and (2) the applicability of On-Farm Diversified Uses and proper sizing for as-of-right purposes.

It's also to review the draft changes to the Official Plan, as a result of the most recent version of the Zoning By-law (v6).

Statutory Public Meeting - April 27, 2026

The statutory public meeting was held in a hybrid (in-person and virtual) format. At its peak, approximately 150 participants were engaged. The public meeting on the comprehensive update fulfilled the statutory notice and consultation requirements under Section 34(12) of the *Planning Act*.

It is important to note that no decision was made at the public meeting. The purpose of the meeting was to receive public input, identify outstanding concerns, and inform final refinements before the by-law is brought to Council for adoption.

What We Heard - Summary of Public Input

Public input at the April 27, 2026, meeting and through written submissions received before and after the meeting was substantial and engaged. Members of the public expressed broad appreciation for the open and transparent process, and for the responsiveness of the Municipality to date. The dominant theme of the evening, by a clear margin, was the introduction of holding provisions tied to the new natural heritage and karst mapping layers (H2 and H5).

Other matters were raised, including: setback regimes across different rural zone sizes, the recreational designation in the Talisman area and Niagara Escarpment Plan

conformity, OFDU density and proximity to settlement areas (Brewster Lake), height step-back regulations in the downtown core, transition provisions for in-stream files, and the desire for clear language on what triggers an Environmental Impact Study (EIS) within the 30–120 metre band around provincially significant wetlands. Changes to the By-law that came out of the public input received have been updated and can be seen as tracked changes in the most recent version of the draft Zoning By-law (V6) that is attached.

H2 (Identified Karst) and H5 (Natural Heritage System)

Two holding provisions introduced in the current draft of the by-law generated the most significant volume of comment, and the most significant anxiety, from members of the public:

- **H2 – Natural Heritage System:** Mapped from the County of Grey Natural Heritage System Study (2014–2017). Captures Significant Woodlands, Significant Wildlife Habitat, and Natural Linkages. Triggers a lift of hold prior to a building permit so the Conservation Authority and County Ecology can determine whether an EIS is required.
- **H5 – Identified Karst:** Mapped from the County of Grey "identified karst" layer (not the broader "potential karst" layer). Triggers a lift of hold prior to issuance of a building permit so that a geotechnical assessment can be reviewed where karst features are known to be present.

Both layers exist today at the County level and apply through the County Official Plan. The Zoning By-law update proposes to apply them as a holding provision in the local by-law in order to make their application transparent at the lot level and to ensure environmental review at the building-permit stage, rather than relying solely on the trigger of a *Planning Act* application (severance, rezoning, OPA, or site plan).

Concerns Raised – H2 (Natural Heritage System)

The H2 layer drew the largest share of public concern. Concerns clustered around five themes:

Scope and Footprint: speakers reported that very large portions of their property fell under H2. Several speakers noted the layer encompasses long-established cultivated fields that they did not regard as "significant woodlands" or as "linkages" in any meaningful, on the ground sense.

Methodology and Defensibility: Multiple speakers questioned the underlying County Natural Heritage System Study (2014-2017), noting that the study team consisted

primarily of biologists and a GIS analyst, that the work was largely desktop-based rather than field-verified, and that the study itself acknowledge the area "may be enlarged". It was noted, by way of comparison, that field-based work produces materially different results than a desktop overlay, and asked how Grey Highlands can push back where the mapping does not reflect on-the-ground reality.

Property Value and "Sledgehammer vs. Scalpel": Several landowners raised concern about the perceived impact on property value from a blanket hold across an entire parcel where the feature itself occupies only a small portion of the land. One speaker described the current draft approach as a "sledgehammer" where a "scalpel" would be more appropriate – i.e., a hold limited to the area immediately surrounding the feature rather than the full parcel.

Process Burden and Cost: Speakers questioned whether the lift-of-hold process would add cost and delay to routine projects (sheds, garages, accessory structures) and whether the process could be triggered for development located well away from the mapped feature within a previously disturbed building envelope. Members of the public and agents asked for clear parameters around what would and would not trigger an EIS, and for clear delegation of lift-of-hold authority to staff for low-risk applications.

Equity and Existing Building Envelopes: Concerns were raised on behalf of property owners with existing, undeveloped building envelopes that have now been captured by H2, and on behalf of recent purchasers (one speaker had closed on a property weeks before learning of the new overlay).

Concerns Raised – H5 (Identified Karst)

Concerns specific to H5 were fewer in volume but raised important questions of process, scope and cost. They included:

Risk of Additional Process: concern that the H5 layer could create "little fiefdoms" or additional regulation, similar in feel to Niagara Escarpment Plan controls, which residents may have specifically chosen to live outside of.

Cost Burden: Concerns that requiring extensive geotechnical studies for simple ancillary buildings would impose disproportionate cost on homeowners.

Definition and Accuracy: Comments that karst should be defined and mapped from field-confirmed sinkholes, fissures, and openings rather than from a desktop overlay, and that areas elsewhere in the County known to contain karst features (e.g., portions of the Talisman lands as raised by the Escarpment Corridor Alliance) are not currently mapped as H5 in the draft.

Compatibility with Agricultural Uses: Questions were raised as to whether identified karst designation should also drive review of intensive agricultural practices in proximity to karst features (e.g., manure application), given the linkage to source-water vulnerability and the Markdale/Talisman springs feeding the water treatment plant.

It is worth noting that, in contrast to H2, the H5 layer is grounded in a defensible health and safety rationale. The Provincial Planning Statement requires that development direct away from hazardous lands and that public health and safety be protected. Karst features can produce settlement, sinkhole formation, and groundwater contamination pathways. The risk of doing nothing in a confirmed karst area is materially different from the risk profile of doing nothing in a Natural Heritage System overlay.

Engagement Since the Public Meeting

Since the April 27, 2026 public meeting, staff have engaged directly with County of Grey Planning and Ecology staff on the application of holding provisions to natural heritage and karst features at the local zoning level, and have undertaken a scan of comparable lower-tier municipalities within Grey County to confirm how similar features are addressed in their respective Zoning By-laws. Two findings have refined staff's view on the most appropriate path forward and are central to the recommended option set out below.

County of Grey position

County staff have indicated that they are supportive of an approach that strikes a balance between reducing administrative burden and the removal of the holding provisions, on the understanding that environmental and natural heritage review continues to be triggered when a *Planning Act* application (severance, rezoning, OPA, or site plan) is submitted. In other words, the County's Natural Heritage System policies continue to apply to all properties captured by the layer regardless of whether a local zoning overlay is in place; what changes, with the removal of the holding provision, is the building-permit pathway, not the underlying policy protection. This is consistent with the County's own administration of the Natural Heritage System layer through its Official Plan circulation process and reflects an alignment between the County and the Municipality on where the trigger for environmental review most appropriately sits.

Comparator scan

Staff have reviewed the comprehensive Zoning By-laws of the comparator lower-tier municipalities within Grey County. No municipality in Grey County currently applies a holding provision approach to Significant Woodlands, Significant Wildlife Habitat, Natural Linkages, or identified karst features in its comprehensive Zoning By-law.

Comparator municipalities address these features through the County Official Plan circulation process at the *Planning Act* application stage, rather than through a parcel-level zoning overlay tied to building permits. The proposed H2 and H5 holding provisions, if retained, would place Grey Highlands as an outlier within the County both in terms of regulatory framework and in terms of process burden on landowners.

Read together, these two findings indicate that the protection of natural heritage features and identified karst can be achieved without a local holding provision overlay, and that doing so brings Grey Highlands into line with both the County's preferred administrative approach and standard practice across Grey County. These findings have informed staff's recommendation, set out following the options below.

Options for Council Consideration

Council is asked to provide direction on the treatment of H2 and H5 holding provisions in the final draft of the comprehensive Zoning By-law. Five options are presented below. IN light of the County engagement and comparator scan findings described above, staff recommend Option 1, with a building-permit-stage awareness mechanism for identified karst as set out in the option description. The remaining options are presented for completeness and to demonstrate the full range of tools that were considered.

Option 1: Eliminate the Holding Provisions Entirely

This would involve removing the H2 (Natural Heritage System) and H5 (Karst) holding provisions from the by-law and deciding to not implement them as zoning overlays. Environmental review under the County Official Plan would still apply, but only as a circulation requirement when a *Planning Act* application is submitted (consent, rezoning, OPA, or site plan).

What this means in practice:

- Building permits in areas mapped as karst or natural heritage system would proceed without a lift-of-hold and without an EIS. They would be recommended but not required.
- There is no legal mechanism for the Chief Building Official to require a geotechnical or environmental study at the building-permit stage.
- Environmental review would only occur when a *Planning Act* application is triggered for some other reason (e.g. a severance or a rezoning).

Karst awareness mechanism at building permit:

To preserve the health-and-safety rationale that anchors the H5 (identified karst) layer without retaining a formal holding provision, staff propose introducing an administrative procedure at the building-permit stage as a corollary to elimination of the H5 zoning overlay. The procedure would operate as follows:

- At the time a building permit application is received for a property identified on the County's karst layer, the Chief Building Official (or designate) would provide the applicant with written notification that the property is located within an area of identified karst.
- The notification would describe the nature of karst topography, the potential health-and-safety implications for building foundations and site stability, and the recommendation that the applicant consider obtaining a geotechnical or karst hazard assessment from a qualified professional prior to proceeding with construction.
- No study would be required, and the building permit would not be conditional on the production of one. The mechanism is informational, not regulatory.
- Where a Planning Act application is triggered (e.g. severance, rezoning, OPA, site plan) on a karst-identified property, the County Official Plan policies would continue to apply through the standard circulation process, and a karst hazard assessment may be required as a condition of approval.

This approach achieves three things:

- (1) it ensures the landowner is on notice that the property has known karst features at the point in time when that information is most useful, before construction begins;
- (2) it shifts the risk allocation appropriately, so that an informed landowner who chooses to proceed without an assessment does so with full knowledge of the conditions; and
- (3) it removes the administrative burden, cost, and Council process associated with a formal lift of hold. A similar mechanism is used in other Ontario municipalities for notification of features such as floodplain proximity and contaminated sites, and is well within the Municipality's administrative authority.

Staff would prepare a standard notification template and integrate the procedure into the building permit intake workflow, with no additional fee charged to the applicant.

Rationale/Defensibility:

- Responds directly to public concerns regarding process burden and cost.

- Materially streamlines development of buildings and structures that comply with Zoning By-law.
- Aligns with comments expressing that the by-law should reduce, not add to, "red tape."

Risks and Trade-Offs:

- **Health and safety (H5/Karst):** This is the principal concern. Without the H5 holding provision, the Building Department has no enforceable mechanism to require geotechnical assessment in confirmed karst areas. The PPS requires direction of development away from hazardous lands and protection of public health and safety; removing the only zoning-level tool to operationalize this at the building-permit stage creates a defensibility gap if a future failure occurs.
- **Natural heritage (H2):** Lower direct safety risk, but a lower bar for environmental review. EIS would only be triggered through a *Planning Act* application; building permits in a Significant Woodland or Natural Linkage would proceed without environmental review if meeting the requirements of the Zoning By-law. This is a Council policy call: whether the protection of natural heritage features is best advanced through zoning, or whether the County-level layer alone is sufficient.
- **Conformity considerations:** County Official Plan natural heritage policies remain in effect regardless of this decision. Removing the zoning-level overlay does not exempt landowners from County policy on severances and rezonings, it only changes the building-permit pathway.

Strategic Positioning:

With the karst awareness mechanism in place, this option preserves the substantive protections that matter, including environmental review at the *Planning Act* application stage, and landowner notice of identified karst at the building permit stage. It also substantially responds to the dominant public concerns about process burden, cost, and the appropriateness of a Council-level process for routine, low-risk applications. It aligns with the County of Grey's preferred administrative approach as confirmed through recent engagement and brings Grey Highlands into line with the comparable lower-tier municipalities in Grey County, none of which apply holding provision overlays to Significant Woodlands, Significant Wildlife Habitat, Natural Linkages, or identified karst. This option is recommended by staff for the reasons set out in the Staff Recommendation section that follows the options.

Option 2: Retain the Holding Provisions, Streamline the Lift-of-Hold Process (Currently as Proposed)

Retain H2 and H5 in the by-law as drafted but materially streamline the process for lifting the hold by delegating authority to staff and reducing the fee charged to applicants. The intent is to preserve the policy trigger (i.e., ensuring environmental and geotechnical review where warranted) while removing as much process and cost burden as possible.

What This Would Look Like in Practice:

- **Delegated authority:** Council delegates authority to the Director of Planning (or designate) to lift the H2 or H5 hold in cases meeting all of the following:
 - The Conservation Authority and County Ecology have provided written confirmation that no EIS or geotechnical assessment is required or have reviewed a submitted study and indicated no objection.
 - The proposed development is located within a previously disturbed building envelope (existing residential, accessory, or farm building cluster).
 - No other *Planning Act* application is required.
 - No agency objection is received during the prescribed circulation period.
- **Reduced fee:** Establish a dedicated, reduced fee for delegated lift-of-hold applications. The intent is to ensure the process functions as a procedural trigger to ensure a review happens, rather than as a revenue-generating planning application. A nominal fee (e.g., \$250–\$500, by Council direction) is recommended to recover circulation and review cost without creating a financial barrier.
- **Streamlined timeline:** Target a 30-day turnaround for delegated lift-of-hold decisions where no studies are required, and a 60-day turnaround where studies have been submitted and reviewed.
- **Escalation:** Any application not meeting the delegated criteria, or any application where an agency objection is received, defaults to a standard zoning by-law amendment process before Council.
- **Mapping refinements:** In parallel, staff continue to engage with landowners on site-specific mapping inquiries and bring forward refinements as part of the next housekeeping amendment, including the technical correction mechanism already proposed in the current draft for hazard mapping.

Rationale/Defensibility:

- Preserves the policy and health-and-safety intent of the holding provisions while substantively responding to public concerns about process burden and cost.
- Preserves the by-law's defensibility under the PPS, County Official Plan, and the County Natural Heritage System Study.
- Aligns with the strong public support expressed for improved processing.
- Establishes a clear, predictable process that agents, builders, and landowners can plan around.

Risks and Trade-Offs:

- Does not fully eliminate the concern expressed by landowners that the mapping itself is overly broad.
- Requires Council to delegate planning authority. A policy choice that has implications beyond this by-law. A by-law authorizing delegation will be required and should be brought forward with the comprehensive Zoning By-law.
- Requires a complementary fee by-law amendment to establish the reduced fee structure.

Strategic Positioning:

This option offers a balance between protection of the public interest (health and safety; natural heritage) and responsiveness to the dominant public concern (process burden and cost). It is also the most defensible option from a conformity standpoint.

Option 3 - Comprehensive Site-Specific Mapping Review and Refinement (Not Recommended)

Undertake a comprehensive, parcel-by-parcel review of the H2 and H5 mapping across the municipality to refine the holding provision overlay so that it applies only to the immediate area surrounding the actual feature, and not to existing building envelopes, previously disturbed lands, established agricultural fields, or other portions of a property where development is appropriate. Refinements would be carried forward as site-specific amendments to the schedules of the by-law prior to adoption.

This is the "scalpel" approach explicitly requested by several speakers at the public meeting and reflected in the comments distinguishing tabletop overlay work from "boots-on-the-ground" assessment.

What This Would Look Like in Practice:

- Parcel-by-parcel review of all properties currently captured by H2 and H5, in the order of 1,500 to 2,000 properties, based on the volume of public notice that was issued.
- Coordination with Conservation Authorities, and County of Grey Ecology staff to confirm refinements, with technical sign-off on each amendment.
- In some cases, site visits or field-based verification to confirm the actual extent of the feature.
- Refinement of the schedule maps to delineate building envelopes and adjusted feature boundaries.
- A revised by-law brought forward for adoption only once this work is complete.

Rationale:

- Most directly responsive to the "scalpel vs. sledgehammer" concern raised by multiple speakers.
- Would eliminate the lift-of-hold process for the majority of properties because the H overlay would no longer apply to the buildable portion of the lot.
- Produces the most precise alignment between the regulatory tool and the on-the-ground feature.

Risks and Trade-Offs:

- **Municipal staff capacity:** Reviewing 1,500 to 2,000 properties at the level of detail required is not deliverable within current Planning Department resources. It would either require dedicated consultant support (not currently budgeted) or would consume the planning staff complement to the exclusion of the day-to-day application stream.
- **Conservation Authority and County capacity:** The Conservation Authorities and County Ecology have repeatedly signaled that they do not have the staff capacity to undertake site-by-site technical review of this scale. Their current review capacity is committed to active *Planning Act* applications, lift-of-hold circulations, and CA Act permitting. Asking them to absorb a parcel-by-parcel refinement exercise across the entire municipality is not realistic.
- **Timeline impact:** This work would likely defer adoption of the new comprehensive Zoning By-law by 18 to 24 months, or longer. During that period, the 2004 by-law would remain in effect, leaving the municipality out of conformity with the current Official Plan and continuing to use a framework that does not

reflect current provincial policy, housing priorities, or environmental policy direction.

- **Cost:** Consultant support for a refinement exercise at this scale would be material and is not currently included in the project budget.
- **Diminishing returns:** For most properties, the practical outcome of Option 3 is identical to the practical outcome of Option 2: development within an existing building envelope proceeds without an EIS. Option 2 delivers that outcome through a delegated, low-cost lift-of-hold; Option 3 delivers it by pre-clearing the building envelope through a mapping amendment. Option 2 reaches the same destination with a small fraction of the upfront work.

Strategic Positioning:

Option 3 is, in principle, the most precise response to public concern. In practice, it is not deliverable within the resources or timeframe available to the Municipality, the Conservation Authorities, or the County. It is identified here so that Council has a complete picture of the trade-off space, and to be transparent with the public that the "scalpel" approach was considered and the reasons it cannot be advanced as a standalone path. Targeted mapping refinements where individual landowners have brought specific concerns forward will deliver some of the same benefit without committing the Municipality to a full parcel-by-parcel review.

Option 4 - Technical Revision Mechanism Modelled on the Hazard Zone Approach

Apply the same technical revision mechanism already proposed in the current draft for the Hazard Zone to the H2 and/or H5 overlays. Where a property owner proposes development within an area mapped as H2 or H5, and the Conservation Authority and County Ecology confirm in writing that the actual feature extends to a smaller area than the schedule shows, or that the proposed development is located outside the feature itself, the schedule may be corrected by staff through the next housekeeping amendment to refine the H overlay on that property. No formal lift-of-hold (zoning by-law amendment) is required.

This mechanism is targeted at the specific concern raised most often at the public meeting: that the mapping is broader than the actual on-the-ground feature. It does not eliminate the holding provision itself, and it does not replace the lift-of-hold process for cases where the feature is genuinely present in the proposed building location.

What This Looks Like in Practice:

- By-law language is added to the H2 and H5 provisions mirroring the technical revision language already proposed for the Hazard Zone, scoped to boundary correction of the overlay rather than removal of the underlying protection.
- On receipt of a building permit application within H2 or H5, staff initiate a circulation to the Conservation Authority and County Ecology for written comment.
- Where the CA and County Ecology confirm the actual feature is not located within the proposed building envelope (or, for H5, where field verification confirms no karst feature is present at the proposed location), staff issue a clearance letter, the building permit proceeds, and the schedule correction is carried forward into the next housekeeping amendment.
- Where the CA or County Ecology determines that a study (EIS for H2, geotechnical/karst hazard assessment for H5) is required to make that determination, the study is submitted, reviewed, and either supports the technical revision or directs the applicant to the formal lift-of-hold process.
- Where the feature is genuinely present in the proposed building location and development is being contemplated with mitigation, the formal lift-of-hold process applies (per Option 2).

Rationale/Defensibility:

Internal consistency: applies the same mechanism already drafted for the Hazard Zone, which Council has previously seen and accepted in principle. The defensibility argument that supports the Hazard Zone treatment supports this treatment.

- **Directly responsive to the dominant public concern:** The most consistent message from the public meeting was not that natural heritage and karst should not be protected – it was that the mapping captures more land than the actual feature. This option addresses that concern head-on.
- **Preserves the review trigger:** The Conservation Authority and County Ecology still review every application; a study may still be required where warranted. The procedural overhead is reduced, not the protection.
- Cheapest and fastest pathway for the most common case (mapping refinement). Building permit processes proceed without a parallel zoning by-law amendment.

Risks and Trade-Offs

- **Legal scope:** Under s.36(4) of the Planning Act, lifting a holding provision is a zoning by-law amendment. A technical revision that effectively removes a hold could be challenged if not properly scoped. To mitigate, we can draft the by-law language to limit the technical revision to boundary corrections supported by written confirmation from the CA and County Ecology that the actual feature is more precisely delineated than the schedule shows. This is the same scope rationale that supports the hazard zone technical revision in the current draft.
- **Not a complete substitute for lift-of-hold:** Where the feature is genuinely present in the building envelope and development is being contemplated with mitigation, this mechanism does not apply. The lift-of-hold process (under Option 2 or Option 3) remains the appropriate tool for those cases.
- **Karst (H5) considerations:** The H5 layer maps "identified" karst; features that have been confirmed at the County level. The technical revision in this option is best understood as a boundary refinement (the feature is smaller than the polygon suggests or located in a specific portion of the parcel) rather than a removal (the feature does not exist). Council should be clear on this distinction to preserve the health-and-safety rationale that anchors H5.
- **May still trigger a study:** Where the CA or County Ecology cannot confirm the boundary without a study, the applicant will still be required to commission an EIS or geotechnical assessment. This is a feature, not a flaw. It preserves the environmental and health-and-safety review where warranted, but it should be communicated clearly to applicants and the public so expectations are managed.
- **Operational coordination:** This option is more complicated than the others, and will likely require close coordination between the Planning Department, the Building Department, and the CA/County circulation process. A clear internal procedure will be required to ensure the process is well understood, to prevent improper interpretation.

Strategic Positioning:

This is the option most directly responsive to what the public actually said. The dominant message at the April 27 meeting was not that the protections were wrong, it was that the mapping was a sledgehammer where a scalpel would do. The technical revision mechanism is the scalpel, applied case by case as each property comes forward, without the upfront staff and agency capacity that would be required for the comprehensive parcel-by-parcel review in Option 5. It also has the practical benefit that mapping corrections accumulate over time, so the schedules genuinely improve with each housekeeping cycle.

Option 5 - Retain the Holding Provision, Status Quo Process

Retain H2 and H5 in the by-law as drafted, with no changes to the lift-of-hold process. Each lift-of-hold continues to be processed as a standard zoning by-law amendment requiring a Council decision, public circulation, and the associated fee.

What This Looks Like in Practice:

- Each lift-of-hold continues to be a public process requiring a Council decision.
- Council can expect a material increase in lift-of-hold applications relative to current volumes (driven by H2 in particular, which captures a large land area), with associated staff time and meeting time implications.
- Applicants continue to bear the full zoning by-law amendment fee for what may be a routine, low-risk lift.

Risks and Trade-Offs:

- Does not respond to the dominant public concern. The single clearest message from the April 27 meeting was that the lift-of-hold process, as currently structured, is too costly and cumbersome for routine applications.
- Creates an ongoing administrative load on the Planning Department and on Council that is not proportionate to the planning issues being adjudicated.
- Does not improve defensibility relative to Option 2 – the protection achieved is the same; the process burden is higher.

Other Alternatives

Language in the General Provisions

During preparation of this report, staff considered whether a "general provision" could be incorporated into the by-law that would trigger environmental or geotechnical review in the H2 and H5 areas without using the holding provision mechanism, for example, language that would require an EIS or geotechnical study at the building-permit stage where the development is located within a mapped feature. The intent would be to remove the formal lift-of-hold step while preserving the environmental review trigger.

Staff have concluded that this is not a viable standalone alternative. In practical terms: any "general provision" in the zoning by-law that conditions a building permit on the production and acceptance of an EIS or geotechnical study is, functionally, a zoning compliance trigger – and to make it enforceable, the mechanism for resolving it ends

up looking very similar to a holding provision. Substituting different language for the same mechanism does not remove the underlying process; it only obscures it.

Site Plan Control

Prior to 2022, site plan control could have been used to require an EIS as part of complete-application materials for development in sensitive features. The More Homes Built Faster Act, 2022 (Bill 23) exempted residential development of up to ten units from site plan control. This mechanism is therefore no longer available for the typical single detached dwelling or accessory structure permit that drives the bulk of building permit activity in rural Grey Highlands.

Development Permit System (DPS)

A small number of Ontario municipalities use a DPS in lieu of, or alongside, a traditional zoning framework. A DPS can integrate zoning, site plan, and minor variance into a single discretionary approval and can be used to trigger environmental review for any development application. It is a viable long-term tool, but it is a fundamentally different regulatory framework and represents a multi-year transition with substantial upfront work. It cannot be advanced as a quick replacement for the H provisions within the timelines of this by-law update.

Staff Recommendation

Staff recommend that Council direct that the comprehensive Zoning By-law be finalized on the basis of Option 1 – Eliminate the Holding Provisions Entirely, paired with the karst awareness mechanism at the building-permit stage as described above. This recommendation reflects:

- **Alignment with the County of Grey:** County Planning staff have indicated support for an approach that strikes a balance between reducing administrative burden and the removal of the holding provisions, on the understanding that review continues to be triggered when a *Planning Act* application is submitted. Removing the local zoning overlay does not change the underlying County policy framework or the environmental protection it provides.
- **Consistency with Grey County practice:** The comparator scan confirmed that no lower-tier municipality in Grey County currently applies a holding provision to Significant Woodlands, Significant Wildlife Habitat, Natural Linkages, or identified karst in its Zoning By-law. Eliminating H2 and H5 brings Grey Highlands into line with comparable municipalities rather than positioning it as an outlier.

- **Direct response to public concern:** The dominant message from the public meeting was that the holding provisions, as proposed, would impose disproportionate process burden and cost on landowners for routine, low-risk building permits. Elimination of the holding provisions directly resolves that concern.
- **Preservation of health-and-safety protections for karst:** The karst awareness mechanism preserves the substantive health-and-safety rationale that anchors the H5 layer by ensuring that landowners receive written notice of identified karst at the point in time when that information is most useful, before construction begins. Risk is shifted to an informed landowner, rather than borne by a regulatory framework that imposes cost on all applicants in order to capture a small number of higher-risk cases.
- **Deliverability:** The recommended approach can be implemented within the existing project timeline and within current Planning, Building, and agency capacity. It does not require a delegation by-law, a new fee structure, parcel-by-parcel mapping refinement, or a new technical revision mechanism.

Should Council wish to retain a holding provision for either layer notwithstanding the County engagement and comparator scan findings, Option 2 (delegated lift-of-hold with reduced fee) or Option 4 (technical revision mechanism modelled on the Hazard Zone) would be the next most defensible alternatives. Option 5 (status quo lift-of-hold process) is not recommended under any scenario, as it imposes the highest process burden without producing better planning outcomes than the alternatives.

If Option 1 is endorsed, the draft by-law would be updated to remove the H2 and H5 holding provisions and associated mapping overlays before the by-law is brought forward for adoption. The karst awareness procedure would be documented as an internal department workflow and reflected in a staff procedure document; no by-law amendment is required to implement it.

On-Farm Diversified Uses

Background: The Size Question

Grey Highlands currently permits on-farm diversified uses (OFDUs) with a maximum indoor floor area of 250 square metres and up to 750 square metres of associated outdoor storage, with every proposal requiring a site-specific Zoning By-law Amendment (ZBA). This approach was originally intended to ensure Council oversight of non-agricultural uses in the rural area, but in practice it has produced the opposite of what a case-by-case review is designed to achieve: approximately 20 ZBA applications per year,

98% of which are ultimately approved. The process does not meaningfully filter or differentiate between proposals. It simply delays them, increases costs for farm operators, and consumes significant staff and Council time on applications that are, by and large, appropriate and consistent with County and Provincial policy.

The proposed Zoning By-law update presents an opportunity to restructure how OFDU size permissions are administered. At present, the draft currently allows 250 square metres of indoor space and 750 square metres of outdoor space on properties over 20 hectares in size, as-of-right, with no rezoning required.

The Risk of a Single-Number Solution

Staff wish to draw Council's attention to a known implementation risk: raising the as-of-right threshold to a single, fixed number, without establishing a ceiling for ZBA applications, simply shifts the volume of applications to request larger than permitted shops, rather than eliminating the applications altogether.

If the as-of-right size is 250 m², the next round of applications will seek 400 m². If 400 m² is the new floor, the questions become whether it can be increased to 700 m² and 900 m². Without a clear framework of tiers, thresholds, and ceilings, the Municipality will likely find itself in the same position; processing the same number of applications and eliminating our opportunity to build efficiency in this process.

In staff's opinion, the solution is not just a bigger number. It is a structured framework that:

1. Defines what size is appropriate as-of-right, based on lot size and use type;
2. Defines what size requires a ZBA, but with clear, pre-set criteria so approvals are predictable;
3. Establishes a hard ceiling aligned with County policy, above which no local approval is possible without an Official Plan Amendment; and
4. Ties each tier to demonstrable criteria so that size permissions are not arbitrary – they are proportional, defensible, and consistent.

Council is asked to provide direction on a tiered size framework that would:

- a. reduce unnecessary applications for low-impact, lower-scale uses; and
- b. establish clear, transparent thresholds so that ZBA applications, where still required, are genuinely substantive reviews rather than rubber-stamp exercises at a slightly larger number.

What the Farming Community Is Telling Us

Community input through the Zoning By-law engagement process, and through formal submissions to Council, including a written letter from members of the farming community dated April 11, 2026, has been clear: the 250 m² cap is not sufficient for many farm-based operations to function safely and efficiently.

The submission on behalf of members of that community raises legitimate operational points that carry weight from a planning perspective:

- Modern shop operations require adequate space for safe machine spacing, clear walkways, emergency egress, and material handling – all of which are mandated under occupational health and safety standards.
- Limited indoor space forces more frequent deliveries because there is no room to store materials in bulk. This is the counterintuitive traffic finding also reflected in the Discussion Paper: the current size restriction may be generating more truck trips, not fewer, because operators cannot receive and store adequate quantities per delivery.
- For operations involving steel, heavy equipment, or fabrication, direct ground-level access for cranes, forklifts, and trucks is a functional necessity, not a convenience. Restricting shop size without acknowledging these requirements does not eliminate the need, it forces improvised and potentially unsafe workarounds.
- Allowing appropriately scaled shops on smaller farm parcels can help deter residential severance pressure by making those parcels economically viable on an ongoing agricultural basis, an outcome that aligns directly with the Municipality's farmland protection objectives.

The community's stated request is for permissions in the range of 400 to 600 square metres as-of-right, with permissions granted through the Zoning By-law rather than through site-specific amendment. This is not inconsistent with what is permitted in neighbouring municipalities, the County of Grey Official Plan, or the 2016 OMAFRA Guidelines.

Acknowledging the Opposition: Community Concerns That Cannot be Dismissed

Any proposal to expand OFDU permissions in Grey Highlands will face community opposition. Public opposition has accompanied every OFDU-related policy discussion in this municipality, and it reflects genuine values about what rural Grey Highlands should look and feel like. The concerns are real and they are consistently expressed.

I Don't Want This as My Neighbour

The most persistent concern raised through public engagement is fundamentally a land use compatibility issue: rural residents who chose to live in an agricultural area did not expect to find themselves living next to a building that operates like a small factory, with trucks coming and going, machinery running, and outdoor storage accumulating. This feeling is not irrational. In some cases, it reflects a genuine mismatch between what the current policy framework permits and what neighbouring residents anticipated.

Staff acknowledge this tension directly. The solution is not to minimize it, but to address it through the tools the planning framework provides.

The current case-by-case ZBA process has not resolved this concern. If anything, it has inflamed it, because each individual application becomes a referendum on OFDUs in principle, and opponents have no way of knowing whether the next application will be bigger, more intensive, or located closer to their property. The absence of clear rules produces anxiety, not reassurance.

A transparent tiered framework, by contrast, gives neighbours something they currently lack: certainty about what can and cannot be built, regardless of who applies. When the rules are the same for everyone and are published in the Zoning By-law, the question shifts from "will this specific Council approve this specific application" to "does this proposal meet the rules." That is a fundamentally more stable and fair planning environment, for opponents and proponents alike.

"This Isn't Really Farming"

A recurring concern heard through engagement is the perception that OFDUs are being used as a loophole. That operators are conducting what amounts to industrial or commercial activity on agriculturally zoned land, under the guise of a farm business, to avoid industrial land costs, property taxes, and the regulatory scrutiny that would apply in a settlement area.

The policy framework directly addresses this. All OFDUs are required to be *secondary* to the principal agricultural use of the property, and operators must hold a valid Farm Business Registration Number (FBRN) confirming active farm status. "Secondary" is not a vague aspiration. It is a defined policy condition meaning that agriculture must remain the dominant economic and land use activity on the property. Where an OFDU has become the primary land use and the farm operation is nominal or inactive, that property is non-compliant and subject to enforcement under the *Planning Act*. The proposed framework retains and reinforces this requirement at every tier: no OFDU permission attaches to a property that is not actively farmed.

Council should take the broader concern seriously, because the line between a legitimate OFDU and a business that has outgrown its farm context can become blurry in practice. This is not primarily a size problem, however. It is an enforcement problem. The evidence does not suggest operators are evading the current size limit: no OFDU permit in excess of 250 m² has been issued under the current Council. What staff have observed is not evasion, but constraint. Many operators are working within the permitted size but cannot function safely or efficiently within it.

On the tax question: the facts do not support the perception that OFDUs avoid their fair share of taxation. Any commercial or industrial component of an OFDU is assessed by MPAC at the applicable commercial or industrial rate, not the farmland rate. The municipality collected over \$309,000 in local tax revenue from OFDUs and agricultural-related uses in 2025 alone. Permitting larger buildings does not reduce that revenue, it increases it.

"These Businesses Are Causing Environmental Harm"

Concerns about environmental impacts, including runoff, contamination of watercourses, disturbance to natural heritage features, and interference with wells and septic systems, have been raised consistently through the engagement process. These concerns are not unreasonable in a Municipality with significant natural heritage features, karst topography, and sensitive groundwater systems.

However, it is important for Council to be clear with the public about what the regulatory framework already requires, so that this concern does not drive policy decisions that are more restrictive than the actual risk warrants.

All OFDU proposals are subject to:

- The environmental protection policies of the Grey Highlands Official Plan and the County of Grey Official Plan, which prohibit development in or adjacent to significant natural heritage features, wetlands, and hazard lands;
- The Natural Heritage policies of the Provincial Planning Statement (2024), which require demonstration of no negative impacts on significant features and their ecological functions;
- The Ministry of Environment, Conservation and Parks (MECP) D-6 Guidelines, which govern the separation of industrial-type uses from sensitive receptors including residences;

- Site plan control conditions, which can require vegetative buffers, stormwater management, spill containment, and restrictions on outdoor storage of materials; and
- The Building Code and any applicable MECP permits, which address contamination risk and wastewater management at the construction stage.

These requirements exist and apply regardless of whether an OFDU is approved as-of-right or through a ZBA. Expanding the as-of-right threshold does not relax environmental requirements, it changes the planning approval process, not the environmental protection framework. A 400 m² shop must comply with the same setbacks from wetlands and watercourses as a 250 m² shop.

Where there is a legitimate gap, it is in enforcement and monitoring after approval, not in the approval criteria themselves. Staff note this as a distinct workplan item requiring Council's attention: the existing site plan control regime is only as effective as the municipality's capacity to inspect and enforce conditions on an ongoing basis. The concern that most residents had, were the impacts, be it environmental and/or operational, once they were built. It may be worthwhile for Council to consider a licensing by-law and/or inspection program, to ease the public's concern related to the OFDUs ongoing use and impacts.

What This Means for Policy Design

The community concerns described above do not lead to the conclusion that OFDU permissions should not be expanded. They lead to the conclusion that the expansion must be paired with a stronger, more visible, and more consistently enforced set of conditions, so that residents can see that the rules have teeth, and that approvals are not simply handed out to whoever applies.

A proposed tiered framework can be designed with this in mind. As-of-right permissions come with mandatory site plan control. ZBA applications are evaluated against published criteria. Active farm status is a precondition at every tier. Environmental protection requirements apply uniformly. And the hard County ceiling prevents the kind of open-ended negotiation that has, in the past, made every application feel like a potential precedent for something larger.

The goal is not to silence opposition. Community members have a legitimate voice in how rural Grey Highlands develops. The goal is to replace the current environment, in which every OFDU application is a politically charged individual battle with an uncertain outcome, with one in which the rules are clear, consistent, and applied equally to everyone.

Proposed Tiered Framework

Staff are proposing to Council the consideration of a three-tier approach structured by lot size, reflecting the principle that larger farms can generally accommodate larger uses without compromising agricultural primacy, rural character, or infrastructure capacity. This mirrors the framework used in the County of Grey Official Plan (Table 8) and in comparable lower-tier municipalities within the County of Grey. Council could consider changing the Maximum Floor Area/Maximum Outdoor Storage for each tier, if they would like, but staff are of the opinion that the context of having a tiered system is one worth considering, to resolve the inefficiencies in processing Zoning By-law Amendment applications related to OFDUs in the future.

Tier 1 – Permitted As-of-Right in the Zoning By-law

No Official Plan Amendment or Zoning By-law Amendment required, provided all applicable zoning standards and site plan criteria are met.

Lot Size	Maximum Floor Area (Indoor)	Maximum Outdoor Storage	Notes
5 ha to < 20 ha	100 m ²	Not permitted	Home Industry only
20 ha to < 40 ha	400 m ²	750 m ²	All permitted OFDU types; site plan control applies
40 ha or greater	750 m ²	1,250 m ²	All permitted OFDU types; site plan control applies

Notes on Tier 1:

- The 20–39.9 ha tier at 400 m² directly responds to the community's stated minimum need and aligns with the ask from the Mennonite farming community.
- The 40+ ha tier at 750 m² aligns with the standard applied in other municipalities for larger agricultural properties, and represents a meaningful but proportionate increase that stops well short of County maximums.
- All Tier 1 uses remain subject to site plan control, performance standards, and the criteria set out in the Official Plan policy framework.

Tier 2 – Permitted by Zoning By-law Amendment, Subject to Criteria

A site-specific ZBA is required. However, unlike the current process, where every OFDU application triggers an open-ended public hearing with no ceiling, Tier 2 applications are evaluated against clearly defined, pre-set criteria with an explicit upper ceiling. This allows staff to assess applications consistently and gives Council predictable parameters for decision-making.

Lot Size	Maximum Floor Area (Indoor)	Maximum Outdoor Storage	Notes
20 ha to < 40 ha	401 m ² to 750 m ²	Up to 1,500 m ²	ZBA required; site plan control required; compatibility and traffic study may be required
40 ha or greater	751 m ² to 2% of lot, max 8,000 m ² combined	Included in combined area calculation	ZBA required; site plan control required; traffic, servicing, and/or noise study may be required

Notes on Tier 2:

- The combined area calculation for the 40+ ha tier follows the County OP framework: total OFDU footprint (buildings + outdoor storage + parking + access) shall not exceed 2% of the lot area, to a maximum of 8,000 m².
- Building floor area shall not exceed 20% of the total combined OFDU area, consistent with County policy (Table 8 and Section 5.2.2(17)).
- Tier 2 applications would use a standardized checklist of criteria drawn directly from the County OP (Section 5.2.2(19)) and the OMAFRA Guidelines, so that both applicants and staff have a clear roadmap. Applications that meet all criteria can be processed as a ZBA.
- The ceiling at County maximums is firm: no Tier 2 approval can exceed the County OP limits. To go beyond requires a County OPA, not just a local ZBA.

Tier 3 – Not Permitted Locally (Requires County OPA)

Any OFDU proposal that would exceed the County's maximum size thresholds (2% of lot area to a maximum of 8,000 m² combined) cannot be approved through a local ZBA alone. The Municipality shall advise applicants accordingly and direct them to the County for a formal County Official Plan Amendment process.

This tier is included not as an administrative pathway but as a transparency measure – applicants understand from the outset what the ceiling is and where authority lies.

Key Design Features That Prevent Volume Shifting

The following elements of the proposed framework are specifically designed to prevent the problem of the same number of ZBA applications simply arriving for larger buildings:

- **Meaningful thresholds between tiers:** The gap between Tier 1 and the Tier 2 ceiling is substantial. An operator who genuinely needs 450 m² on a 25-hectare lot can access that as-of-right. An operator who genuinely needs 2,000 m² on a 60-hectare lot understands they are in ZBA territory and why. There is no ambiguous middle ground that generates applications just below or just above an arbitrary line.
- **Lot-size proportionality:** Because thresholds scale with lot size, an operator on a 22-hectare farm has a different as-of-right ceiling than one on a 65-hectare farm. This is appropriate, defensible, and mirrors County and provincial direction. It also means the 250 m² question is replaced by a clear calculation tied to the specific property.
- **Site plan control as the universal backstop:** All Tiers include mandatory site plan control. This means that regardless of whether a proposal is as-of-right or ZBA-approved, the Municipality retains the ability to regulate building placement, buffering, drainage, entrance design, outdoor storage screening, and other site-level impacts. The volume of ZBA applications is reduced; the quality of site-level oversight is maintained or improved.
- **Checklist-based ZBA criteria:** Publishing the specific criteria against which Tier 2 applications will be evaluated (drawn from the County OP and OMAFRA Guidelines) removes uncertainty and reduces the number of applications that are incomplete, marginally non-compliant, or brought forward speculatively. Applicants who do not meet the criteria know that before they apply.
- **Hard ceiling at County limits:** There is no open-ended upper range. The maximum is the County maximum, and it is set in policy. This is a significant change from the current state, where the only ceiling is Council discretion – which creates pressure for negotiations rather than clear expectations.

Height and Step-Backs

Feedback from the development community identified that the draft By-law's 20.0 metre maximum height would not reliably achieve a full 6-storey building. With a commercial ground floor requiring approximately 4.0 metres and each residential floor above

requiring 3.5 metres, a compliant 6-storey building reaches 21.5 metres, falling outside the previous limit. In response, the maximum permitted height in the Downtown Commercial (C1) and Residential Multiple (RM) Zones has been increased to 22.0 metres, providing a modest buffer above the functional minimum and supporting the higher-density development these zones are intended to accommodate. This change has been well-received by the development community.

The draft By-law's 2.5 metre step-back requirement for buildings exceeding 11.0 metres was also raised as a concern, with feedback suggesting it would not be sufficient to meaningfully reduce the visual impact of upper storeys on the street. Staff reviewed this in light of comparable municipal by-laws and concur that a minimum 3.0 metre step-back is more appropriate to achieve the intended effect. Some municipalities alternatively tie step-back requirements to the width of the road allowance, ensuring that upper floors are set back far enough to allow daylight to reach the street, an approach that could also be considered. The change from 2.5 metres to 3.0 metres is reflected in Version 6.

Notwithstanding these technical adjustments, some members of the public expressed concern that permitting 6 storeys as-of-right is inconsistent with the established character and community vision for downtown Markdale and Flesherton. Council may wish to deliberate this question further before the By-law is finalized, to ensure the height permissions reflect the scale of development the community envisions for these areas.

Density, Lot Coverage, and Minimum Lot Size

The draft By-law reflects a deliberate shift toward enabling more compact, higher-density development within Grey Highlands' urban settlement areas. Minimum lot sizes have been reduced and maximum lot coverage permissions increased across several residential and commercial zones, with the intent of reducing the frequency of minor variance applications, supporting gentle intensification, and aligning with the Provincial Planning Statement's direction to make efficient use of land within settlement boundaries.

From a policy standpoint, these changes are well-grounded. Smaller minimum lot sizes allow existing lots that would previously have required a variance to be developed as-of-right, and higher lot coverage permissions give property owners and developers more flexibility to build at a scale that makes urban residential and commercial development financially viable. Both directions are consistent with the Province's intensification objectives and with the County of Grey's growth management framework.

The question Council may wish to deliberate, however, is whether these permissions — while provincially supportable — are visually and contextually appropriate for the specific character of Markdale and Flesherton. Both communities are small, low-density urban centres with established streetscapes that reflect a particular scale of development. Permitting significantly higher lot coverage and smaller lot sizes does not guarantee that denser development will occur, but it does mean that when it does occur, it may look and feel different from the existing built fabric in ways that some residents will find jarring.

Council should consider whether the By-law strikes the right balance between enabling growth and protecting the community character that residents value — and whether any additional built form standards, such as setback requirements, landscaping minimums, or design guidelines, should accompany the density permissions to ensure that new development integrates well with its surroundings, rather than simply maximizing the envelope the By-law allows.

Information on Other Mapping Updates

Site Specific Changes

During some of the interactions with residents, there were a few site-specific issues that were raised, that staff are recommending be considered as a part of the housekeeping amendment. These changes are broken down in an attachment to this Report. These modifications are already reflected in the updated mapping. Should Council wish to alter any of the recommended modifications, direction will be required to have them removed/modified.

Conservation Authority Changes

The three conservation authorities each use a different style of mapping to establish their regulated areas, which has made it challenging to apply a consistent layer for the “Hazard (H)” Zone across all three jurisdictions. Staff intend to meet with the authorities to determine the appropriate layer to attribute in each case and will update the mapping accordingly before bringing the final version of the By-law to Council. This should have minimal impact on the property owner, as the general provisions provide the opportunity for technical revisions without an amendment to the Zoning By-law, pending Conservation Authority sign-off.

Special Provisions

The list of special provisions is also attached as an attachment to this Report, to coincide with the Zoning By-law V6. These have also been added online for public review.

Next Steps

Staff seek any further feedback or direction from Council on the matters discussed in this report before advancing the By-law to the next stage.

Following tonight's direction, and pending no further changes, staff will incorporate Council's feedback and prepare a revised draft for Council's formal consideration at an upcoming meeting. That draft Zoning By-law with reflected changes and the proposed modifications to the Official Plan to implement the Zoning By-law will be presented for Council for approval.

Once Council approves the By-law, the proposed Official Plan Amendment will be brought forward to the County of Grey for approval. The Zoning By-law comes into effect upon County approval of the conforming Official Plan amendments.

Following adoption, the By-law is subject to a 20-day appeal period during which members of the public may appeal to the Ontario Land Tribunal. It is worth noting that appeals are generally limited in scope — an appellant generally only appeals the specific sections or provisions of the By-law they have identified a concern with, rather than the By-law in its entirety. This means that the majority of the By-law can proceed and take effect even where a discrete section is under appeal.