Enclosure 4

Strathcona County

Affordable Housing Incentive Program Options Report

Final Report

March 6th, 2023

Acknowledgements

The Strathcona County Affordable Housing Incentive Program Options Report was undertaken on behalf of Strathcona County.

Project Team

The Strathcona County Affordable Housing Incentive Program Options Report was prepared by SHS Consulting. The consulting team for this project was:

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1. Executive Summary

Introduction

In 2019, Strathcona County (the County) commissioned the Alberta Rural Development Network (ARDN) to initiate a Housing Needs and Demand assessment to better understand existing needs and housing trends in the County. The assessment sought to build an understanding of the current and future housing needs in the community; examine affordability, suitability, and adequacy in relation to the current housing inventory to assess gaps in affordable housing; and provide recommendations to address housing gaps along the housing continuum.

Several additional reports were drafted to implement the recommendations of the needs assessment. This report is part of the Planning and Development Services Affordable Housing Implementation Plan and is the third project under Initiative 1: Affordable Housing Units – Private Developments.

As such, the County has determined that it needs to review the options for incentivizing the provision of affordable/non-market housing. The goal of this report is to identify various options that the County could consider integrating into a County-funded Affordable Housing Incentive Program.

Need for Affordable Housing

According to the ARDN affordable housing assessment, the County's most prominent housing challenges include an insufficient purpose-built rental market, discrepancies between composition of households and housing supply, and the unaffordability of housing. Additionally, housing gaps included seniors housing options and the lack of affordable supply for renter households.

The housing issues and gaps in the supply of housing are not unlike many municipalities across Canada. However, given the municipality's specialized designation and the composition of both urban and rural communities, the solutions to these housing issues will be unique to the County. To address the gaps in affordable housing across the housing continuum the ARDN recommended that the County develop a community-led approach to affordable housing.

Defining Eligibility Criteria

As part of this report, eligibility criteria have been established for incentives with a financial component. In addition to meeting affordability thresholds for rent prices and ownership prices, proponents must meet several additional organizational criteria to be considered eligible for the Strathcona County Affordable Housing Incentive Program. The conditions for eligibility that would be applicable to any grants, forgivable loans, tax/fee exemptions or reductions, and land related incentives under the Affordable Housing Incentive Program include compliance with County bylaws and relevant legislation, non-profit status as a housing provider, proof of adequate funding, proof of affordability and various potential agreements. Full Details on the eligibility criteria are included within the report.

Incentive Options Analysis

As part of this report, an analysis was conducted to understand the advantages and challenges of several incentive options to meet the housing affordability needs of households in the County. The analysis includes an overview of the existing incentives that are currently available to housing providers in the County. It also provides descriptions of the potential incentive options that could be included in Strathcona County's Affordable Housing Incentive Program. Finally, it describes some incentive options that were initially explored for inclusion in the Program but have been eliminated from consideration as a result of feedback from key housing stakeholders.

The incentive options that were pursued for a potential Strathcona County Affordable Housing Incentive Program are:

Barrier Reduction Measures:

- Mixed density zoning in established areas - Community Redevelopment Plan
- Alternative development regulations - Red Tape Reduction

One-time (Capital) Incentive Options:

- Exemption of planning application and building permit fees
- Capital grant or forgivable loan
- Strategic land acquisition or exchange

Annual (Operating) Incentive Options:

- Property tax exemption or reduction
- Annual operating grant

Evaluating the Options

A financial analysis was undertaken to determine the impact of the financial incentives on the feasibility of an affordable housing project as well as the financial impact to the County of providing the incentives.

This evaluation looked at the impact of providing the following financial incentives:

- Exemption of planning application and building permit fees
- Strategic land acquisition or exchange
- Property tax exemption or reduction
- Operating grant
- Combination of all incentives listed above

The costs per unit to the County associated with these incentives has been summarized in the below tables:

Table 1: Impact of Providing the One-time (Capital) Incentive Options on the County

		Total cost per unit	
		Scenario 1: Multi residential Apartment (Urban)	Scenario 2: Townhouse (Rural or Urban)
One-time (Capital) Incentive Options	Exemption of planning application and building permit fees	$2,238	$2,083
	Strategic land acquisition or exchange	$23,686	$99,896
	Combined total	**$25,924**	**$101,979**

Table 2: Impact of Providing the Annual (Operating) Incentive Options on the County

		Annual cost per unit		Total cost per unit over the life	
		Scenario 1: Multi residential Apartment (Urban)	Scenario 2: Townhouse (Rural or Urban)	Scenario 1: Multi residential Apartment (Urban)	Scenario 2: Townhouse (Rural or Urban)
Annual (Operating) Incentive Options	Property tax exemption or reduction[1]	$1,603	$1,984	$6,412	$7,936
	Operating grant[2][3] (excluding property tax exemption or reduction)	$9,605	$11,577	$480,250	$578,050
	Combined total	**$11,208**	**$13,561**	**$486,662**	**$586,786**

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[1] A four-year pilot is recommended for property tax exemptions or reduction, or a grant in lieu. Costs are in 2022 dollars.

[2] Assumes that the non-profit contributed 0% of the capital costs. Contributions to capital costs by the non-profit would reduce the costs of annual operating grants.

[3] Life of the operating grants are calculated at 50 years. Costs are in 2022 dollars.

In addition to the financial analysis, engagement sessions with key housing stakeholders in the County were undertaken to evaluate the incentive options. The following Priority matrix was created based on the stakeholder feedback:

Incentive Options Priority Rankings

	Incentive Options	Priority Rankings
Barrier Reduction Measures	Mixed density zoning in established areas -Community Redevelopment Plan	6th
	Alternative development regulations - Red Tape Reduction	5th
One-time (Capital) Incentive Options	Exemption of planning application and building permit fees	7th
	Capital grant or forgivable loan	2nd
	Strategic land acquisition or exchange	1st
Annual (Operating) Incentive Options	Property tax exemption or reduction	4th
	Annual operating grant	3rd

Both financial analysis and stakeholder input, including input from the County, were considered when determining recommendations.

Recommended Strathcona County Affordable Housing Incentive Program

The County has several options for the provision of an Affordable Housing Incentive Program. Recommendations have been separated into various categories for the County's consideration. Implementation of these recommended programs should also build on and complement federal and provincial funding programs to increase the supply of affordable housing.

Housing Affordability Strategy

Regardless of the incentives chosen by the County, it is recommended that the County complete a Housing Affordability Strategy that establishes County goals, targets and measurables including an annual monitoring and reporting process to track the effectiveness of the County's actions. The completion of such a strategy will also support applications for funding from higher level governments should it become available.

Quick Wins

It is recommended that the County move forward with all of the following incentives for Affordable Housing providers in the short term:

- Exemption of planning application and building permit fees (currently there is a 50% reduction in development and building permits fees)
- Mixed density zoning in established areas - Community Redevelopment Strategy
- Alternative development regulations - Red Tape Reduction

Though the impact of these incentives is less than others for both the County and housing providers, they can be completed fairly quickly, with minimal resources, and will allow for some additional assistance either through the elimination of fees or streamlined processes.

Strategic Land Acquisition Program

Should the County wish to increase the level of commitment, the next category would deal with providing the one-time incentive of land to proponents. One-time incentives, such us providing land, were ranked the highest priority from the stakeholder's perspective and are less impactful administratively than ongoing operating incentives. It is recommended that the County consider funding a strategic land acquisition program for a pilot period of 4-years. The Housing Affordability Strategy should lay out the targets to determine the total scale and dollar value for the program.

Property tax exemption or reduction program (or grant in lieu)

In addition to the strategic land acquisition program, it is recommended that the County also consider funding of a 4-year pilot of a property tax exemption or reduction program (or grant in lieu) specifically for new builds. This incentive program would be set at the amount, or a percentage of the amount of property taxation, for qualifying properties through construction, and including 4-years following occupancy.

Similar to one-time incentives, the Housing Affordability Strategy should lay out the targets to determine the total scale of a property tax exemption or reduction program (or grant in lieu). This property tax relief directly following construction can allow for some assistance during the initial establishment of a non-market development as this period can come with unexpected costs and higher interest payments. However on its own, this incentive will only have a minor impact to housing providers.

Grants

After implementation of the above incentives, should the County find that the goals and targets of their Housing Affordability Strategy have not been met, a capital or operating grant could be considered to bridge the gap. The need for such an incentive will be better known following the completion of the Housing Affordability Strategy and any 4-year pilot programs.

2. Introduction

Strathcona County is a specialized municipality in the Edmonton Metropolitan Region. The County includes the urban area of Sherwood Park and a large rural area with eight hamlets. The specialized municipality classification allows the Province of Alberta to provide the County with programs and grants that address the unique needs of a municipality that includes both a large urban centre and a significant rural area and population. As a result, the needs of residents in various parts of the community are quite different.

In 2019, the County commissioned the Alberta Rural Development Network to initiate an affordable housing assessment to better understand existing needs and housing trends in the County. The assessment sought to build an understanding of the current and future housing needs in the community; examine affordability, suitability, and adequacy in relation to the current housing inventory to assess gaps in affordable housing; and provide recommendations to address housing gaps along the housing continuum.

The housing assessment identified that the County's most prominent housing challenges include an insufficient purpose-built rental market, discrepancies between composition of households and housing supply, and the unaffordability of housing. Additionally, housing gaps included seniors housing options and the lack of affordable supply for renter households.

Several additional reports were drafted to implement the recommendations of the needs assessment. This report is part of the Planning and Development Services Affordable Housing Implementation Plan and is the third project under Initiative 1: Affordable Housing Units – Private Developments.

The housing issues and gaps in the supply of housing are not unlike many municipalities across Canada. However, given the municipality's specialized designation and the composition of both urban and rural communities, the solutions to these housing issues will be unique to the County.

2.1. Purpose of the Report

The goal of this report is to identify various options that the County could consider integrating into a County-funded Affordable Housing Incentive Program.

This report is part of the Planning and Development Services Affordable Housing Implementation Plan and is the third project under Initiative 1: Affordable Housing Units – Private Developments. The County currently does not have the authority to implement inclusionary zoning (i.e., requiring non-market housing as a percentage of all new builds) or the ability to require a specific type of tenure. As such, the County has determined that it needs to review the options for incentivizing the provision of affordable/non-market housing.

2.2. Approach

This report was undertaken in two phases. The first phase of work involved an evaluation of potential incentive options for the Strathcona County Affordable Housing Incentive Program. This included gathering background information to better understand the context for developing the incentive program and what options are within the jurisdiction of the County and undertaking an environmental scan to identify options for the County's Affordable Housing Incentive Program. A financial analysis, based on agreed upon prototype development scenarios, was also undertaken to determine the impact of each incentive option on a prototype project which would include affordable/non-market housing units. This phase of work also included a range of engagement activities. The second phase of work involved developing recommendations for consideration by the County's Council based on the results for phase one.

2.2.1. Engagement Approach

The development of this report included a series of engagement activities to gain information from County staff members. In addition to formal engagement sessions, primary County team members were involved throughout the process providing expertise and feedback. Strathcona County Council Committees and key housing stakeholders from the non-profit housing industry. These engagement activities included:

- A workshop with Strathcona County staff members was held on November 4th, 2022 to discuss the feasibility of potential incentive options for the Strathcona County Affordable Housing Incentive Program.
- A workshop with six (6) key housing stakeholders representing five (5) not-for-profit housing providers was conducted on December 7th, 2022. This session supported the County in identifying the potential opportunities and challenges associated with each of the incentive options being explored.
- County Administration presented information on the incentive options for the Strathcona County Affordable Housing Incentive Program to the Strathcona County Community Living Advisory Committee on November 24th, 2022, and to the Seniors Advisory Committee on December 8th, 2022.
- A final workshop with County staff members to review and confirm the Affordable Housing Incentive Program Report was conducted on February 2nd, 2023.

The key themes that were heard during those sessions can be found in Appendix B of this report.

3. Need for Affordable Housing

The Alberta Rural Development Network Housing Needs and Demand Assessment[4] examined the affordability, suitability, and adequacy of the current housing inventory to assess gaps in housing need. The report identified that the County's most prominent housing challenges are as follows:

Insufficient purpose-built rental market	There is a small purpose-built rental market in the County, and there are few affordable higher density and smaller sized dwellings.

Discrepancies between composition verses housing supply	The demand for one, two- and three-bedroom dwellings are under-served, whereas the supply of four-bedroom dwellings greatly exceeds the demand based on the family composition in the county.

Unaffordability	Fourteen percent of households are spending 30% or more of their income on housing costs. Based on the current housing supply, these households have no alternatives to their current housing needs.

The analysis underscores that housing is unaffordable for many County residents. Furthermore, low-income households may face significant challenges with finding and maintaining affordable, suitable, and adequate housing.

To address the gaps in affordable housing across the housing continuum the ARDN recommended that the County develop a community-led approach to affordable housing to guide the implementation of the following recommendations:

RECOMMENDATION 1
Review best practice strategies to mitigate housing gaps.

RECOMMENDATION 2
Prioritize the Land Use Bylaw amendments for the Urban Service Area.

[4] Alberta Rural Development Network (2020) *Housing Need and Demand Assessment. Retrieved from: https://strathconacablob.blob.core.windows.net/files/files/fcs-ardn_housing_needs_and_demand_assessment_summary_report.pdf*

RECOMMENDATION 3
Conduct a homelessness estimate to better understand housing needs.

RECOMMENDATION 4
Continue to build local and regional partnerships to respond to housing and homelessness needs.

4. Defining Eligibility Criteria

This section outlines all the eligibility criteria for this program. In addition to meeting affordability thresholds for rent prices and ownership prices, proponents must meet several additional organizational criteria to be considered eligible for the Strathcona County Affordable Housing Incentive Program.

4.1. Eligibility Criteria for All Proponents

The conditions for eligibility that are applicable to all proponents of the Affordable Housing Incentive Program are as follows:

1	All proposed development shall conform to all relevant municipal and legislated requirements.
2	All eligible applicants for this Program must be a non-profit housing provider or entity. Successful applicants will be those who demonstrate competency with residential development.
3	All eligible applicants for this Program must provide proof sufficient to the County that the project can be funded (i.e., is financially viable).
4	All eligible applicants for this Program must be eligible for CMHC funding (such as the SEED Pre-Development Grant). The minimum requirements state that a project must: • be primarily residential; • have a minimum of 5 affordable units/beds, and; • be considered affordable, as determined by the Municipality, Province, or Territory, or as accepted under other CMHC programs.
5	To receive the benefits of the Affordable Housing Incentive Program, eligible applicants shall be required to enter into an agreement with the County made with the following considerations: • Units receiving the incentive must be considered affordable according to the affordability thresholds outlined by the Program. These thresholds are outlined in Section 4.1.1 of this report; • The definitions outlined in Section 4.1.1 of this report are to be updated on a regular basis to reflect market conditions;

- The agreement shall be registered on title;
- The agreement shall be binding on the property owner's heirs, successors, and assigns;
- If the property ownership changes, the agreement shall be binding on the transferee, and;
- Other reasonable requirements and conditions will be included in the agreement on a project-specific basis.

4.1.1. Affordable Housing Thresholds

There are several ways to establish thresholds for affordable rental and ownership housing for inclusion in the Strathcona County Affordable Housing Incentive Program. The sections below present summaries of the different approaches for calculating thresholds for affordable housing, as well as key takeaways which explain why the recommended approach for defining affordable housing was selected.

It is important to note that according to the Government of Alberta's *Making Life Better: Alberta's Provincial Affordable Housing Strategy (*2017), housing is considered affordable when a household spends no more than **30% of its gross income on shelter costs**.

For the purposes of this report and analysis found within, shelter costs are defined as the monthly total expenses paid by households for shelter. Shelter costs for owner households include, where applicable, mortgage payments, property taxes, and condominium fees, along with the costs of electricity, heat, water and other municipal services. For renter households, shelter costs include, where applicable, the rent and costs of electricity, heat, water, and other municipal services.

4.1.1.1. Recommended Affordable Housing Thresholds

Four methodologies were explored for the Strathcona County Affordable Housing Incentive Program including:

- Edmonton Metropolitan Region Board Income Definition Approach
- Income Decile Based Approach
- Core Housing Need Income Based Approach
- Market Based Rent/Ownership Approach

Additional details on each of the explored methodologies can be found in Appendix C.

For both the rental and ownership thresholds, it is recommended that the **market based rent/ownership approach** be used for the Strathcona County Affordable Housing Incentive Program and that the market prices reflect the Edmonton Metropolitan Region (EMR). The thresholds established through the market based approach are equal to 80% of Median Market Rents by unit size and 80% of Median House Prices by dwelling type for the Edmonton Metropolitan Region.

In 2021, the rental housing affordability threshold should be set at the rent of **$695** for a bachelor unit, **$815** for a one-bedroom unit, **$1,000** for a two-bedroom unit, and **$1,125** for a three-bedroom unit (**Table 3**). In 2022, the ownership housing affordability threshold would be set at the price of **$338,400** for a single-detached dwelling, **$140,000** for a condominium dwelling, and **$182,400** for a row house (**Table 4**).The other explored methodology options resulted in thresholds that either were higher than 80% of MMR and 80% of Median House Prices in the Edmonton Metropolitan Region or did not establish thresholds by the unit size or dwelling type. It is important to note that these thresholds were set to EMR market prices.

Historically, the EMR has maintained lower rent and ownership prices than the County. Setting the affordability threshold at EMR market rates allows the County to provide affordable housing accommodations at prices comparable to those available elsewhere in EMR, for example the City of Edmonton. This would prevent low- and moderate-income households in the County from being outpriced and seeking housing accommodations elsewhere that meets their affordability constraints. To maintain the most recent affordability thresholds, these figures should be updated annually upon the release of new data.

Table 3: Summary of Median Market Rent Prices and Affordability Threshold by Unit Size: Strathcona County and EMR, 2021

	Strathcona County		**Edmonton Metropolitan Region (EMR)**		
Unit Type	**Market Rental Housing** 100% of MMR	**Affordable Rental Housing** 80% of MMR	**Market Rental Housing** 100% of MMR	**Affordable Rental Housing** 80% of MMR	**Difference**
Bachelor	-	-	$870	**$695**	-
One-Bedroom	$1,265	$1,010	$1,015	**$815**	$195
Two-Bedroom	$1,440	$1,150	$1,250	**$1,000**	$150
Three-Bedroom	$1,415	$1,130	$1,410	**$1,125**	$5

Source: CMHCs Rental Market Survey, 2021. Retrieved from: https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market

Table 4: Summary of Median House Prices and Affordability Threshold by Dwelling Type: Strathcona County and EMR, 2022

	Strathcona County		Edmonton Metropolitan Region (EMR)		
Dwelling Type	**Market Ownership Housing** 100% of Median House Prices	**Affordable Ownership Housing** 80% of Median House Prices	**Market Ownership Housing** 100% of Median House Prices	**Affordable Ownership Housing** 80% of Median House Prices	**Difference**
Single-Detached	$440,000	$352,000	$423,000	**$338,400**	**$13,600**
Condominium / Apartment	$184,900	$147,920	$175,000	**$140,000**	**$7,920**
Townhouse / Row Housing	$392,000	$313,600	$228,000	**$182,400**	**$131,200**

Source: Realtors Association of Edmonton, November 2022. Retrieved from: https://www.realtorsofedmonton.com/Attachments/PDFs/2022-Stats/NOV_2022_Monthly_Stats_Board-3; Realtor.ca Market Summaries, December 2022.[5]

[5] Single-Detached Summary: https://www.realtor.ca/ab/strathcona-county/single-family-homes-for-sale
Condominium / Apartment Summary: https://www.realtor.ca/ab/strathcona-county/multi-family-homes-for-sale
Townhouse / Row Housing Summary: https://www.realtor.ca/ab/edmonton/condos-for-sale

5. Incentive Options Analysis

The following section outlines incentive options that were explored for this report. This section includes an overview of the existing incentives that are currently available to housing providers in the County. It also provides descriptions of the potential incentive options that could be included in Strathcona County's Affordable Housing Incentive Program. Finally, it describes some incentive options that were initially explored for inclusion in the Program but have been eliminated from consideration as a result of feedback from key housing stakeholders.

5.1. Existing Incentives

Affordable housing providers currently operating in the County have access to funding and other incentives within the current legislative and planning regime from the Federal Government, Province of Alberta, and the County. These incentives that already exist could be used in conjunction with any incentives offered through the Strathcona County Affordable Housing Incentive Program to develop more affordable housing and/or deepen the level of affordability offered to households.

5.1.1. Existing Federal Government Incentives

Under the **National Housing Strategy (NHS)**[6] there are several programs which offer funding or financing to housing providers to help create more affordable housing supply and to modernize the existing affordable housing supply. A brief description of the funding and financing initiatives within the NHS, which could be accessed by housing providers in the County are presented in the table below.

For full details related to the existing funding within NHS programs listed below, please visit: https://www.placetocallhome.ca/

[6] Additional information regarding the NHS can be found in Appendix A of this report.

Table 5: Existing Federal Government Incentive Programs

Program Name	Program Description
National Housing Co-Investment Fund	The Co-investment Fund provides low-cost loans and capital contributions for building new affordable housing, emergency shelters, transitional housing, and supportive housing as well as for repairing and renewing existing affordable housing.
Affordable Housing Innovation Fund	The Affordable Housing Innovation Fund provides funding for unique ideas and innovative building techniques that revolutionize the affordable housing sector.
Rental Construction Financing Initiative	The Rental Construction Financing provides low-cost loans encouraging the construction of sustainable rental apartment projects.
Federal Lands Initiative	The Federal Lands Initiative provides surplus federal lands and buildings used to create affordable, sustainable, accessible, and socially inclusive developments.

5.1.2. Existing Province of Alberta Incentives

Housing providers can also access funding through existing incentive programs offered by the Government of Alberta to create or maintain affordable housing units. A brief description of the funding and financing initiatives administered by the Province of Alberta, which could be accessed by housing providers in the County are presented in the table below.

For full details related to the existing funding from programs administer by the Province of Alberta listed below, please visit: https://www.alberta.ca/funding-affordable-housing.aspx

Table 6: Existing Province of Alberta Incentive Programs

Program Name	Program Description
National Housing Strategy Bilateral Agreement	Through the bilateral agreement, the governments of Canada and Alberta will plan, build and restore affordable housing for seniors and Albertans with low income; follow high standards of transparency, public engagement and housing quality, including improved energy efficiency and accessibility; prioritize people most in need; incorporate a human rights-based approach to housing, and; apply a gender lens to all investments. The Bilateral agreement between the federal and provincial governments will provide long-term funding for community housing for families, Indigenous communities, and vulnerable Canadians in need of affordable housing Alberta.

Program Name	Program Description
Social Housing Agreement	Through the Social Housing Agreement, the federal government has transferred full ownership of 15 social housing projects to the Alberta Social Housing Corporation, allowing them to be used for future redevelopment or program enhancements. The new agreement replaced 17 cost-share agreements that had various conditions and expiry dates. The agreement provides increased flexibility to the Province on how federal dollars are spent, using efficiency savings for the redevelopment of the existing social housing stock.
Family and Community Housing Development and Renewal Program	The Family and Community Housing program provides subsidized rental housing for families and individuals with low income who cannot afford private sector accommodation. The purpose of this capital program is to facilitate major renovation, replacement, and extension projects to government-owned and/or supported affordable family and community housing that is operated under the Alberta Housing Act or through long term operating agreements where tenant rent is set based on the tenant's income (also known as Rent Geared to Income). The target population of the projects supported through this capital program is families with low income. The objectives of this program are to support the regeneration and/or addition of existing deep subsidy units; addition of new mixed-income supply, and; blending of unit types to support a range in the age of tenants (e.g., blend seniors self-contained units with community housing). The Family and Community Housing program is open to housing management bodies, housing management agencies, non-profit housing organizations that have a long-term operating agreement with the Government of Alberta, and other applicants, as approved by the Minister.
Seniors Housing Development and Renewal	The Seniors Housing Development and Renewal Program facilitates major renovation, replacement, and redevelopment projects at government-owned and/or supported affordable independent and supportive seniors housing. These housing units are operated under the Alberta Housing Act or through long term operating agreements where tenant rent is set based on the tenant's income. Seniors Housing includes seniors' lodges and seniors' self-contained living. The target population of the projects supported through this capital program is seniors with low income. The program involves joint capital planning with Alberta Health to ensure

Program Name	Program Description
	continuity of affordable housing options as seniors' care needs change (e.g., move from independent living into supportive living and/or continuing care accommodations). The objectives of this program are to regenerate and/or expand aging buildings; add new mixed-income supply, and; support aging in community by integrating accommodation types (e.g., seniors self- contained units with community housing, lodge accommodation and continuing care into a campus of care).
Affordable and Specialized Housing Program	The purpose of the Affordable and Specialized Housing program is to develop new affordable housing projects that provide supportive social or health services for Albertans with a focus on reducing homelessness and ensuring that affordable and suitable housing is available for populations with specialized needs. This program will also address regeneration of existing unregulated housing through planned redevelopment. Joint capital planning with Alberta Community and Social Services and/or Alberta Health ensures that capital investments under this program are coordinated with appropriate supports and operational funding. The target populations of the projects supported through this capital program are Albertans experiencing homelessness, persons with disabilities or addictions and/or mental health issues and other Albertans in vulnerable situations (e.g., persons fleeing violence). The objectives of this program are to support the development of new affordable housing that facilitates the provision of health and other supports in the community; reduction of homelessness in Alberta, and; development of community-based specialized housing. Eligible applicants of the Affordable and Specialized Housing capital program include housing management bodies, housing management agencies, non-profit housing organizations that have a long-term operating agreement with the Government of Alberta, community-based organizations, and other applicants, as approved by the Minister.
Indigenous Housing Capital Program	The Indigenous Housing Capital Program (IHCP) increases the supply of affordable housing units for Indigenous peoples in need through construction (including additions/extensions), purchase and repurpose. A significant proportion of Indigenous peoples living off-reserve, as well as on-and off-reserve in Alberta are in core housing need. The IHCP is intended to begin to address this need. The objectives of the program are to increase the overall supply of affordable housing for Indigenous peoples in Alberta based on identified and verified needs within communities, focusing on family

Program Name	Program Description
	housing options; ensure that Indigenous households in Alberta with low- to moderate-income have access to affordable and adequate housing that meets their basic needs; support housing design and delivery by Indigenous governments and organizations, and; increase the number of Indigenous housing units that are culturally appropriate. Development of the IHCP was guided by feedback gathered from Indigenous and Indigenous-serving organizations during province-wide engagements in 2017 and 2020. Eligible applicants for IHCP funding include Indigenous governments or organizations and housing management bodies, municipalities, and not-for-profit organizations with formal partnerships with Indigenous governments or organizations. To be eligible for funding, project applicants must meet the following criteria: be an Indigenous government or organization, or be formally partnering with an Indigenous government or organization; demonstrate capacity to develop and deliver housing projects, preferably to Indigenous peoples; provide affordable housing to Indigenous peoples; be financially sustainable and not require any operational funding from Alberta Seniors and Housing to sustain or maintain the project once complete; address a proven need for affordable housing as demonstrated by waiting lists for housing; number of members living off reserve/on settlement/off settlement who are in core housing need; population projections; provincial and local housing needs assessments; and other housing options in the community. Other community barriers to housing specific to Indigenous peoples living in Alberta, such as discrimination, may be considered, and; remain affordable for a minimum of between 10 to 20 years, depending on the rental model or as agreed upon by Alberta Seniors and Housing and the applicant.
Seniors Facilities and Housing Capital Maintenance and Renewal	The purpose of the Seniors Facilities and Housing Capital Maintenance and Renewal Capital Program is to fund the preservation and maintenance of existing government-owned and/or supported affordable housing that is either operated under the Alberta Housing Act or through long term operating agreements where tenant rent is set based on the tenant's income (subsidized units). A critical aspect of service delivery is ensuring the continued viability and functionality of assets within the provincially owned and supported affordable housing portfolio. This enables the uninterrupted availability of operational and safe housing and supports for households with low income. The objectives of this program are to support the continued safe operation of existing affordable housing; reduce deferred maintenance throughout the government-owned and/or supported

Program Name	Program Description
	affordable housing portfolio, and; improve the physical condition and functionality of existing affordable housing. Eligible applicants for this program include housing management bodies and non-profit housing organizations that have a long-term operating agreement with the Government of Alberta.

5.1.3. Existing Strathcona County Incentives

The County currently offers several incentives to developers to increase the supply of affordable housing in the County. A brief description of the funding and financing initiatives administered by the County are presented in the table below.

Table 7: Existing Strathcona County Incentives

Program Name	Program Description
Municipal Block Funding (2007-2010)	In the past, the County has taken advantage of Provincial funding when it becomes available. For example, in 2007, the Alberta Affordable Housing Task Force recommended that the Government of Alberta enhance capital resources for affordable housing supply. As a result, the Department of Municipal Affairs responded by creating the Municipal Block Funding and Housing Capital Initiatives Programs to fund affordable housing units for low-income Albertans. To access the funding under the Municipal Sustainability Housing Program and Capital Enhancement Program, the County conducted a housing needs assessment which identified affordable housing gaps. The result was the creation of an Affordable Housing Plan, which was approved by County Council in 2008. Through the Municipal Block Funding and housing capital initiatives programs, the County received a grant of $12.4 million over a three-year period (2007/08, 2008/09, and 2009/10). The grant was used to help increase the supply of Affordable Housing and Transitional Housing Units within the County. Most of the funding was distributed to organizations that help fund affordable housing projects such as the Pioneer Housing Foundation, Habitat for Humanity, Robin Hood Association, and Strathcona Schizophrenia Housing Foundation. The grant resulted in a total of 186 affordable and or transitional units being created. Additional funding was used to deliver County led programs directly to County residents. These past programs included the Secondary Suites and HOME Programs, which referred to subsidized rental housing for lower-income families and individuals who could not afford average market rents and who did not qualify for rent

Program Name	Program Description
	supplements. For example, the Secondary Suite program was a 5-year agreement between the County and a resident. Upon completion of renovations for a secondary suite and successful application, the resident received funding to recover expenses and agreed to provide subsidized rent throughout the term of the agreement. The grant resulted in 88 clients being served through these County led programs. Finally, a small portion of funding was also allocated to cover County administrative expenses related to delivering programs.
Heartland Housing Foundation requisition (Annual)	The County has an annual consolidated tax rate that factors in requisition amounts for the Heartland Housing Foundation. The revenue from the Heartland Housing Foundation tax rate is required to be used for social housing accommodations. The 2022 tax rate bylaw was approved by Strathcona County Council on May 3, 2022. The 2022 tax rate for the Heartland Housing Foundation requisition rate was 0.1227, representing a total requisition amount of approximately $4.2 million. The final 2023 municipal tax rate will be approved by Strathcona County Council in the spring of 2023.
Discount on development and building permit fees for not-for-profit housing providers	The County currently offers up to a 50% discount on the total development and building permit fees for those issued on behalf of not-for-profit housing corporations for low-cost housing projects. This discount is included in Schedule A of the 2023 Fee Rates and Charges Bylaw 51-2022. This incentive aims to increase the supply of affordable housing by decreasing the cost of developing and thus increasing the financial viability of these units for developers.
Minimum density requirements	The *Municipal Development Plan* contains policies for New Area Concept Plans and Area Structure Plans to be designed according to the required minimum density targets set by the Regional Growth Plan. The County is also preparing to begin the Community Redevelopment Strategy in 2024 to explore the use of mixed density zones in established areas. Minimum density requirements and mixed density zones aim to impact affordability in by increasing the available housing stock within the community. Strategic planning of medium and high-density housing in proximity to amenities can increase the supply of housing in the County.

Program Name	Program Description
Streamlined planning process	The County currently offers an expediated planning and approvals process for applications on behalf of not-for-profit housing corporations for low-cost housing projects. This process includes prioritization from County staff that assists the applicant through the planning process with the County to minimize the timeline between application and development. A minimized timeline saves costs to developers in the pre-development phase of a project. County staff has indicated that they are generally able to accommodate these services within the current general staff duties.
Land provision and/or leases of County owned land for the development of affordable housing	The County has a history of providing land to prospective affordable housing developers for free or under market value on an ad-hoc basis. These incentives have been made possible based on the availability of County land and the interest from not-for-profit housing corporations. Feedback from key stakeholders has indicated that the cost of land has been key barrier to providing affordable housing in the County. Providing County land increases the viability of affordable housing construction, particularly to non-profit housing providers who may have difficulty raising the capital for such developments.

5.2. Potential Incentive Options

This section presents descriptions of various tools and incentives that may contribute to addressing the affordable housing needs of households in the County through a potential Affordable Housing Incentive Program. The tools and incentives included here are either financial incentives, municipal regulatory and process tools, or land-based tools.

Along with descriptions of the various tools and incentives, this section includes discussion of the advantages and challenges of using the specified new incentives, an overview of the permitting legislation related to incentives[7], the steps required to implement potential incentives in the County, and finally case studies from other jurisdictions where the potential incentive has already been implemented.

[7] Appendix A contains a review of the policy context in Strathcona County.

The incentive options which will be explored in this section are listed in the table below and have been categorized as follows:

- Barrier reduction measures
- One-time (capital) incentives
- Annual (operating) incentives
- Eliminated incentives

Eliminated incentives are those that were explored and deemed infeasible or unsuitable for the County.

Table 8: Potential Incentive Options

Category	Incentive	Type
Barrier Reduction Measures	• **Mixed density zoning in established areas – Community Redevelopment Strategy**	Municipal Regulatory and Process Tools
	• **Alternative development regulations – Red Tape Reduction**	Municipal Regulatory and Process Tools
One-time (Capital) Incentive Options	• **Exemption of planning application and building permit fees**	Financial Incentive
	• **Capital grant or forgivable loan**	Financial Incentive
	• **Strategic land acquisition or exchange**	Land Based Incentive
Annual (Operating) Incentive Options	• **Property tax exemption or reduction**	Financial Incentive
	• **Annual operating grant**	Financial Incentive
Eliminated Incentive Options	• **Tax increment equivalent grant (TIEG) or tax increment financing (TIF)**	Financial Incentive
	• **Exemption or deferral of off-site levies**	Financial Incentive
	• **Density bonusing**	Municipal Regulatory and Process Tools

5.2.1. Barrier Reduction Measures

This section presents the **barrier reduction measures** available to the County. Though unlikely to make a large enough impact to incentivize new development, they will eliminate cumbersome steps in the development process that elongate the development process and are associated with additional costs. They also allow for additional opportunities that were not previously available.

5.2.3.1. Mixed Density Zoning in established areas - Community Redevelopment Strategy i.e., providing opportunities for densities that are greater than single or semi-detached housing, and allow for additional residential units

Mixed density zoning is often paired with minimum density requirements. Together they form a land use strategy that is applied to ensure that cities with limited urbanize-able land develop efficiently at the intended densities.[8] By modifying zoning policies to allow for residential development and higher-density residential uses and by minimizing design approval processes for medium and higher density dwellings, local jurisdictions can help to increase the number of housing units that can be created and better align housing supply with demand. Many options are available on the continuum between large-lot single-family homes and high-rise apartment buildings. These include:

- Allowing single-family homes on smaller size lots, creating opportunities to subdivide existing large lots to build additional housing units
- Zoning for attached homes, including duplexes, triplexes, and townhomes that each have their own entryway but consume less land than detached single-family homes
- Zoning for medium-density multifamily buildings with rental apartments or condos
- Planned Unit Developments that allow a mixture of building forms but have minimum unit per acre requirements.[9]

[8]Questions and Answers for The Proposed Minimum Density Ordinance Amendments To R-2 And R-3 Zones. Retrieved From: Https://Www.Ashland.Or.Us/Files/Minimum_Density_Q-A.Pdf
[9] Local Housing Solutions. Zoning Changes To Allow For Higher Residential Density. Retrieved From: Https://Localhousingsolutions.Org/Housing-Policy-Library/Zoning-Changes-To-Allow-For-Higher-Residential-Density/

In municipalities in Canada, zoning regulations enshrine single-detached dwellings as the primary housing option and restricts new multi-unit housing development to a small area of the land base. For example, in Toronto, a majority of recent and planned residential development is concentrated in a small portion of the city. The Downtown and Central Waterfront area accounts for 3.4% of the total city land mass but contains 36.6% of all residential units in the development pipeline (i.e., built, active or under review) between 2014 and 2018.[10] Another 10.5% of all new residential units were proposed or built in Toronto's four Centres (Yonge-Eglinton, North York, Etobicoke and Scarborough), and 21.5% along designated Avenues. By contrast, most of the land zoned for residential use within Toronto is subject to restrictive zoning policies that allow only single-detached and semi-detached housing. These areas are commonly referred to as the "Yellow belt," in reference to the assigned colour on municipal zoning maps and the accompanying restrictions placed on additional density in these zones.[11] But according to research[12] conducted by Abacus Data, almost 7 in 10 Ontarians say housing affordability should be a top priority for the government and the report also found that 78% of Ontarians support minimum zoning in urban areas to encourage more homes.[13] Removing exclusionary zoning is now seen as a "necessary, though insufficient, condition for providing adequate housing."

The County has implemented policies to this effect in it the 2017 Municipal Development Plan[14], including policies ensuring high-density residential and mixed-use development in the Urban Centre Policy Area. Additionally, the County is looking to investigate the diversification of housing types in established residential areas through the Community Redevelopment Strategy, tentatively starting in 2024.

An example of this is the City of Edmonton (2021), which allowed duplexes or triplexes on single detached dwelling lots as a first step in a wholesale revision of its zoning requirements.[15] Minneapolis ended single-family zoning in the whole city while, the state of Oregon terminated single-family zoning in all municipalities. To make cities more affordable and accessible, many government officials and urban planners have started rethinking the detached-home-only zones.

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[10] Ryerson University. Density Done Right - How Distributed Urban Density Can Support Healthy, Livable Neighbourhoods, Housing Affordability and The Environment. Retrieved From: Https://Www.Torontomu.Ca/Content/Dam/City-Building/Reports/Ryerson_CBI_Density_Done_Right_April2020FINAL.Pdf

[11] Ryerson University. Density Done Right - How Distributed Urban Density Can Support Healthy, Livable Neighbourhoods, Housing Affordability and The Environment. Retrieved From: Https://Www.Torontomu.Ca/Content/Dam/City-Building/Reports/Ryerson_CBI_Density_Done_Right_April2020FINAL.Pdf

[12] Building (2022). OREA Calls for End To Exclusionary Single Family Zoning In High Demand Areas. Retrieved From: Https://Building.Ca/Orea-Calls-For-End-To-Exclusionary-Single-Family-Zoning-In-High-Demand-Areas/

[13] Ontario Real Estate Association. Housing Affordability In Ontario Perceptions, Impacts And Solutions. Retrieved From: Https://Www.Orea.Com/Affordabilitypolling

[14] For more details on Strathcona County's Municipal Development Plan, See Appendix A of this report.

[15] Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, And Craig Jones Lilian Chau And Jill Atkey Greg Suttor Nick Falvo (2022). The Municipal Role In Housing. Retrieved From: Https://Munkschool.Utoronto.Ca/Imfg/Report/The-Municipal-Role-In-Housing/#_Edn47

Accessory Dwelling Units (ADUs) include secondary suites, on-lot tiny homes, garden suites, duplex or town house lock-off suites, laneway/garage units and any other dwelling unit type that can be placed in or adjacent to an existing or new dwelling unit on the same lot. The ADU is an independent living space, self-contained with its own kitchen, bathroom, and sleeping area.[16] It refers to all forms of additional units on residential (or even commercial/industrial) properties and may be either attached (internal) to the primary residence or detached (external) from the primary residence.

While secondary suites and garden suites are currently permitted in some residential districts within the County (see Appendix A: Policy Context Review of this report), they cannot be located in a duplex, semi-detached, multiple, townhouse, agricultural, family care or apartment dwelling.[17] These types of housing units could be permitted more broadly across the County and within a greater variety of housing forms.

Advantages	Challenges
• Results in a more diverse housing stock, including the addition of more affordable dwellings • Mixed Density Zoning can be used as a technique to improve the efficiency of land use • Mixed Density Zoning communicates the County's goals to residents and developers and, thus, may proactively address local resistance to higher density developments • Since the land where the second suites was built already belongs to the homeowner, the expense for the second dwelling is only for the structure and servicing; essentially this is "free" land. Eliminates the need for rezonings, which will shorten development timelines and decrease costs.	• Initial proposals may face local resistance • The County would have to ensure that infrastructure can adequately support the higher densities • Homeowners are often new to the development process, and lack sufficient knowledge about bylaws, design and construction. Training would be needed to help them familiarize themselves with these new built forms

[16] BC Housing (2021). Accessory Dwelling Units: Case Studies and Best Practices from BC Communities. Retrieved from: https://www.bchousing.org/sites/default/files/rcg-documents/2022-04/accessory-dwelling-units-case-studies.pdf

[17] Strathcona County. Secondary Suites. Retrieved from: https://www.strathcona.ca/your-property-utilities/residential-permits/secondary-suites/suites-permits/

Advantages	Challenges
• Secondary suites can provide rental income to homeowners and offer an affordable way for renters to live in a residential neighbourhood • Secondary suites can help fulfill the goals of a sustainability plan or growth management strategy	

Permitting Legislation

Municipal Government Act, s. 640(1.1)

Implementing the Option

According to the *Municipal Government Act*, s. 640(1.1), the land use bylaw may prohibit or regulate and control the use and development of land and buildings in a municipality including the use of mixed dwelling zoning in established primarily single-family area. It is recommended that this be implemented through the Community Redevelopment Strategy that the County is preparing to begin in 2024.

Case Studies

Vancouver Plan 2022 - Vancouver, British Columbia

The Vancouver Plan 2022 suggests that multiplexes will offer a new type of ground-oriented housing as a similar, but more affordable and sustainable option to single-detached homes. The multiplex is a small-scale townhouse project on a single lot. It states that multiplexes allow more people to live on a single lot. Because the cost of the land is shared over more homes and the units are smaller, they cost less and are a more sustainable alternative to single-detached homes or duplexes. Multiplex areas will also include small-scale mixed-use buildings to provide more job space, local-serving shops, and services. Enabling new housing options and uses in these areas will help improve housing choice and build a more equitable and resilient city. The plan suggests that advancing the multiplex housing option will create more opportunity to build smaller scale Missing Middle Housing in more neighbourhoods.[18]

[18] City Of Vancouver (2022) Vancouver Plan. Retrieved From: Https://Vancouverplan.Ca/Wp-Content/Uploads/Vancouver-Plan-2022-06-27.Pdf

5.2.3.2. Alternative development regulations - Red Tape Reduction (e.g., reducing parking standards, allowing for suites, increasing flexibility)

Development regulations are the rules that municipalities use to guide the planning, design, and construction of communities. They determine the size and arrangement of lots, houses and the amount of parking among other development specifics. Ultimately, they affect the cost and the quality of life enjoyed by a community's residents.

For example, Land Use Bylaws often mandate generous parking supply, forcing people who purchase or rent homes to pay for parking regardless of their needs. According to the land use by-law for the County, all parking spaces for residential shall be located on the same lot as the use that requires the parking. For single, semi-detached and duplex, two minimum parking space is required. One additional parking spot is required where a suite is present. The minimum requirement for multiple dwelling and townhouses is two per dwelling unit, plus 0.25 parking spaces per unit for designated visitor parking.

Research suggests that often the burden of these regulations fall heavy for lower-income families that do not own cars. They reduce housing affordability, increase automobile ownership, and use, and impose various economic and environmental costs. According to Victoria Transport Policy Institute in British Columbia, based on typical affordable housing development costs, one parking space per unit typically increases moderate-priced housing costs approximately 12%, and two parking spaces increases lower-priced housing costs by 25%[19]. Since parking costs increase as a percentage of rent for lower priced housing, and low-income households tend to own fewer vehicles, parking minimums are unfair and regressive.

Alternative regulations can replace the traditional regulations with more flexibility and innovation. In Canada, several cities have introduced reduced parking requirements, though not all make explicit the link to housing affordability. In 2010, for example, the City of Edmonton released a plan for the development of its downtown core, entitled Capital City Downtown Plan, which includes recommendations to implement relaxed parking requirements in the downtown core. These recommendations were put into action and expanded in 2020, when City Council voted to enable the *Open Option Parking* city-wide.[20] The *Open Option Parking* policies removed minimum parking requirements city-wide and allowed businesses and homeowners to choose the amount of parking they provide. Ottawa drastically reduced and eliminated parking

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[19] Todd Litman (2022). Parking Requirement Impacts on Housing Affordability. Retrieved from: https://www.vtpi.org/park-hou.pdf

[20] City of Edmonton (2020). *Parking Rules for New Homes and Businesses*. Retrieved from: https://www.edmonton.ca/city_government/urban_planning_and_design/comprehensive-parking-review

requirements from new developments in 2016 with no negative impact.[21] The reduced parking standards, can enable builders to maximize the number of units that can be built on a given site, both increasingly the number of people housed and helping to generate more rental revenue for housing projects.[22] As a result, it can increase housing affordability by reducing the average amount of land and physical infrastructure required for housing choices by including a range of home sizes and costs likely to attract residents at different stage of life. It can also contribute to shaping residential development in a way that is consistent with development costs minimization, improved environmental performance of communities, diversity, and liveability.

As a part of the Strathcona County's Planning and Development Services *Affordable Housing Implementation Plan (2022)*, the Red-Tape Reduction program is being developed. This plan will assess the impact of some of these alternative development and design standards, along with other housing solutions such as secondary suite and garden suite regulations.

Advantages	Challenges
• Alternative regulation can result in lower development costs, which in turn could support housing affordability • Diverse housing options promote inclusive and affordable communities • A reduced environmental footprint through more compact development can reduce greenhouse gas emissions	• Would require training for both municipal staff and developers to implement the alternative development regulations • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning

Permitting Legislation

Municipal Government Act, s.640(1.1)

Strathcona County Land Use Bylaw 6-2015

[21] Ivy Le, Anthony Salemi, Sophia Ngai, Ethan Cleugh, Hebin Li, Giovanni Martino, Mitchell Jones, Xingyu He, Kejia He, Zongyi He (2022). Hamilton Burlington Parking Minimums. Retrieved from:https://www.westendhba.ca/wp-content/uploads/2022/05/PLG-620-Final-Report-1.pdf

[22] Abra Adam (2016). Five Planning Tools to Improve Housing Affordability. Retrieved from: http://www.cahdco.org/five-planning-tools-to-improve-affordability/

Implementing the Option

The land use bylaw may be amended to revise parking criteria, increase flexibility and allow additional opportunities for secondary suites to execute the incentive and for alternate development regulations.

Case Studies

Vancouver, British Columbia

Across Metro Vancouver, several local municipalities have reduced parking requirements, which offer a significant opportunity to improve housing affordability, particularly for market rental and entry-level homeownership units. Vancouver Council approved an increase to the permitted density and heights in certain parts of the City to allow not-for-profit landowners to build up to six storeys with a development permit. This change would eliminate at least 12 months of rezoning approval time and costs and make it more financially feasible for not-for-profits to redevelop more homes.[23] Six of the region's 18 municipalities have adopted policies for reduced parking requirements for affordable housing and another 6 of 18 support reduced parking requirements in areas with good access to transit (Burnaby and Surrey are supportive of both policies). Under Vancouver's STIR and new Rental 100: Secure Market Rental Policy, reduced parking requirements are among the incentive offered to develop to reduce the cost of building market rental housing The cost savings can greatly improve the financial feasibility and sustainability of non-profit and affordable market rental development, helping to ensure that rents remain affordable.[24]

City of Surrey, British Columbia

The City of Surrey wanted to encourage small lot development to accommodate rapid growth, a limited supply of land and a growing housing market demand. The City's zoning bylaw did not allow small lots.[25] Thus, the City undertook to amend its zoning bylaw and development standards to encourage innovative housing on small lots. Conventional standards requiring large lots make it difficult to create compact, walkable communities with a range of housing types. Over the last two decades, smaller lots have become more common in new suburban developments. They increase yield for developers and reduce the average cost of each home by spreading many costs (e.g., land purchase, road construction, hard service installation, park development and marketing) over more units. In 2000, Surrey adopted new minimum lot dimensions, reducing lot frontage, depth and setbacks for front yards and back yards, as well as

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[23] Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo (2022). The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/#zoning-and-approvals

[24] Abra Adamo (2016). Policy Scan: Planning for Affordable Housing. Retrieved from: https://ottawaconstructionnews.com/wp-content/uploads/policy-scan-inclusionary-housing.pdf

[25] Affordability and Choice Today (ACT) (2011). Housing Affordability and Choice: A Compendium of ACT Solutions

minimum overall lot area. The new standards lowered the carrying costs and increased housing affordability.

Lot dimensions were amended to accommodate small lot of development. It contributed to increased number of small lot developments which reflected high market demand. Consistent standard for minimum lot size increased predictability and housing affordability

5.2.2. One-time (Capital) Incentive Options

This section presents the **one-time (capital) incentive** options available to the County to be included in an Affordable Housing Incentive Program.

5.2.1.1. Exemption of planning application and building permit fees

Soft costs, such as fees for planning, building permits, and other municipal charges, are all expenses associated with developing housing.[26] Research suggests that in municipalities with high fees, the cumulative cost of these fees can erode the financial viability of affordable housing projects. Municipalities can reduce or waive planning application fees and building permit fees in cases where they are satisfied that it would be unreasonable to require payment in accordance with the established fees.

Currently, the County applies a 50% discount for permits issued on behalf of non-profit housing corporations for low-cost housing projects.[27] However, completely waving planning application and building permit fees would further help to reduce the upfront capital cost and associated soft costs with development of affordable housing while encouraging developers to construct more affordable housing.

Therefore, the incentive suggested here is for the County to waive planning application and building permit fees for developers of affordable housing.

This incentive is likely to have the greatest impact in jurisdictions with a robust level of construction activity (or where new development is anticipated) and where impact and permitting fees are relatively high. According to the Edmonton Metropolitan Region's Growth Plan, *Re-imagine. Plan. Build., 2017* (the Growth Plan), the County is projected to add 63,200

[26] Steve Pomeroy (2017). Challenges and opportunities in financing affordable housing in Canada - Background Brief prepared for the Federation of Canadian Municipalities. Retrieved from: https://www.focus-consult.com/wp-content/uploads/Financing-affordable-housing-Mar-2017.pdf

[27] Strathcona County. 2022 Fees, Rates and Charges. Retrieved from: https://strathconacablob.blob.core.windows.net/files/files/at-lls-bylaws-schedule_a-2022-fees-rates-and-charges-bylaw-54-2021.pdf

people by 2044, with only the City of Edmonton projected to add more to their population during this time. It is reasonable to expect residential development will be required to house this growing population.

If the County were to implement an incentive program that waives application and building permit fees for affordable developments, it must aim to structure the program in a way that makes affordable housing more cost-effective to develop while also avoiding adverse impacts on funding levels for key expenses that serve other community goals. Balancing these two concerns will require careful consideration by the County.

Advantages	Challenges
• Lowers the cost of affordable housing development	• Waivers or reductions in fee revenue could undermine the ability to cover these costs if other revenue sources are not readily available to the County • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning

Permitting Legislation

Municipal Government Act, ss. 648, 647(1), 650 (1)(e)

Implementing the Option

In accordance with the *Municipal Government Act*, the Council may require applicants to engage in an agreement with the Municipality before a development permit is granted. The Fees, Rates & Charges Bylaw may be amended to specify that housing providers who provide affordable housing while meeting other criteria may be eligible for a waiver of planning application and construction permit costs. This would implement the incentive of waiving or planning application and building permit fees.

Case Studies

Community Benefit Bonus Housing Fund, British Columbia

Burnaby's Community Benefit Bonus Policy creates a range of non-market housing through contributions to the Housing Fund and the construction of new units. These contributions are provided by new development projects in town centre areas, in exchange for a density bonus. While some developers have constructed extra units–which are then managed by non-profit societies and tenanted by those with low incomes and/or special needs–most have opted for a cash-in-lieu contribution. 20% of all cash-in-lieu contributions are allocated to the Housing Fund.[28]

For eligible non-market housing projects, non-profit organizations can apply for a housing grant through the City's Planning and Development Committee, to help offset some of the capital costs of the development, including City fees and service charges etc.

The City of Burnaby contributed $227,065 from the City's Community Benefit Bonus Housing Fund to offset, application fees, as well as development cost charges and a onetime waiver of property taxes in 2008 for the Poppy Residences development. In addition, the City approved the rezoning for increased density on the former Legion clubhouse site and provided staff support during the application process. It contributed to establishing 70,1 bedrooms units.

Overall, the project is an example of good value for money from a municipal perspective, costing the City of Burnaby only $3,244 per unit of seniors housing. This project achieves market rental supportive housing for moderate income seniors. Achieving affordable rents for low-income seniors requires capital contributions or subsidies from senior governments.[29]

The County may wish to explore similar tools to fund potential incentives or cover lost revenue.

Clarence Gate, Ottawa, Ontario

Clarence Gate is a condominium project completed in 2003 and located in downtown Ottawa in close proximity to transit and amenities. The City of Ottawa provided relief from building permit fees along with municipal development charges and parkland levies for the project, which altogether amounted to a savings of approximately $7,500/unit. Municipal Encroachment fees were also waived in the amount of $25,000. As the original landowner, the City agreed to defer payment for the land for a period of 8 months, saving the project considerable money and enabling the project to move forward without delay.

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[28] City of Burnaby. Community Benefit Bonus Policy. Retrieved from: https://www.burnaby.ca/our-city/programs-and-policies/community-benefit-bonus-policy

[29] Metro Vancouver (2012). What works: affordable housing Initiatives in Metro Vancouver Municipalities. Retrieved from: http://www.metrovancouver.org/services/housing/HousingPublications/1267_WhatWorks_LR.pdf

Clarence Gate was designed to offer residents of non-profit housing an affordable homeownership option. It is targeted to low-income households with annual incomes below the Core Income Need Threshold (CNIT) and who are living in or eligible to live in subsidized housing. This case study highlight how municipalities can facilitate this type of housing.

5.2.1.2. Capital grant or forgivable loan

Municipalities may offer capital funding to developers of affordable housing in the form of capital grants, forgiven loans, or repayable loans to be used during the construction phases of projects to enable and encourage the development of affordable housing units. Improved access to financing at favourable terms is a financial incentive that can help developers afford the overall cost of development and negate some of the impacts of increasing construction costs. An incentive that offers a capital grant or loan by the County to developers of affordable housing may have a significant impact on the delivery of affordable housing by potentially improve the viability of developments. In addition, such an incentive could provide some control to the County over the type of housing that is developed if the grant (or forgivable loan) is only offered to proponents who meet eligibility criteria. Furthermore, it can also incentivize for-profit developers to develop affordable units and purpose-built rental housing rather than ownership options if the incentive is not available for ownership tenured developments and is offered to private developers.

An example of a jurisdiction providing capital funding to support the development of affordable housing is the Province of Alberta's Affordable Housing Program. This program provides one-time capital grants for the construction/acquisition of rental housing units. Grant recipients are required to provide rents that are at least 10% below market rates. Units developed through this program are targeted at households with incomes at or below Core Income Need Thresholds (CNITS). There are no operating subsidies for these units.

The County may also consider providing a capital grant or forgivable loan in lieu of other one-time (capital) incentives, such as the exemption from planning application and permit fees, in the amount of the one-time capital expense. This would provide the same benefit in terms of providing affordable housing but would represent an expenditure instead of a loss of revenue for the County. This allows the County to set aside funding for these grants during the budgeting process.

Advantages	Challenges
• By establishing specific qualifying criteria for applicants and projects, the capital grant and loan may be utilized to focus on types of development (such as rental housing and affordable rental housing) that might not be covered by other financing sources	• Grants or forgivable loans may be insufficient to fully fund projects and other sources of funds and financing are required • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing

Advantages	Challenges
• Capital grants can be provided as a one-time payment, allowing governments to set aside funds for specific projects for a specific time period • Forgivable loans can make it possible for non-profit housing providers to acquire funds with less restrictions • May be combined with traditional loans or other government and community funding	demands on public services. This may require additional resource allocation and planning.

Permitting Legislation

Municipal Government Act, 271(1)(b)

Ministerial Grants Regulation, Alta Reg 215/2022

Implementing the Option

According to the *Municipal Government Act*, the Minister may make the regulations establishing limits and restrictions on a municipality's power to make grants. This regulation, Alta Reg 215/2022, does not set out restrictions on municipalities that would prevent the creation of this option. The regulation states that the Minister may make grants to persons or organizations for any purpose related to a program, service, or other matter under the administration of the Minister on any terms or conditions the Minister considers appropriate.

Providing an annual operating grant would require identifying a funding source, such as an "annual operating revolving fund" or an "affordable housing reserve fund".

It would also require continuous monitoring to ensure compliance with all requirements associated with the grant. Many municipalities also identify a set amount available on an annual basis to increase transparency and predictability. County staff have communicated that an annual operating grant would only be considered for non-profit developer or organizations.

Case Studies

City of Edmonton Grant Funding Program, Alberta

The City of Edmonton Grant Funding Program is designed to provide funding to assist property owners in constructing a new or upgrading an existing secondary suite. The grant can cover up to half the cost of upgrading or developing a new suite to a maximum of $20,000. In exchange, the homeowner must enter into an agreement to rent the suite to eligible tenants for five years. Eligibility is based on the City's Household Income Limits. Eligible costs include required servicing, building materials, qualified labor for construction to meet minimum health and safety code requirements for secondary suites, and development and construction permits. This grant funding program is part of the City's Cornerstone Plan (2006-2016) which resulted in creating and upgrading of 553 secondary suites.

Affordable Housing Grant Program – Northumberland County, Ontario

The Northumberland Affordable Housing Grant Program provides a forgivable loan of up to $20,000 per unit for affordable rental housing, a letter of support with conditional approval, and other incentives such as a waiver, deferral or grant in lieu of County development charges and/or a tax increment equivalent grant. Eligible projects include new rental housing construction, acquisition and/or rehabilitation of existing residential buildings to increase or prevent the loss of affordable housing stock, conversion of non-residential buildings to affordable residential rental buildings, and additional residential units. If approved, rents for units have to meet the County's definition of affordable rental housing for a minimum of 25 years, inclusive of a five-year phase out period. The landlord must follow the County's requirements for tenant selection, income verification, reporting, and administration of units. Additionally, the gross household income of residents at initial tenant selection must not exceed the maximum incomes identified by the County.

This program is one of the outcomes of the Northumberland County Affordable Housing Strategy.

To provide stability for the program, County Council set a budget for the pilot program which will be re-examined on an annual basis.

Housing Reserve Fund - Victoria, British Columbia

The Housing Reserve Fund was established for the purpose of providing grants to assist in the development and retention of affordable housing for households with very low, low, or median incomes to support community diversity and infrastructure and to facilitate the development of affordable rental housing and affordable ownership housing projects. Successful applicants are required to enter into a Housing Agreement with the City to ensure the units receiving funding remain affordable in perpetuity or for a time approved by Council. Applications can be submitted twice a year (in March and September). Maximum funding for eligible projects is allocated on a per unit basis and range from $10,000 for a one-bedroom very low income or low income rental unit to $30,000 for a three-bedroom unit. Projects can only receive funding once and the grant is non-renewable. In addition, if construction does not start within two years of the Development Permit approval, the approved grant is rescinded. The Housing Reserve Fund increased funding from City Council from $250,000 to $1 million for 2019. [30]

Social Development Reserve - Regina, Saskatchewan

The City of Regina has a Social Development Reserve which is used for the funding of capital projects or capital grants to further social development within the City of Regina. It is funded through contributions by the Municipality as well as the City's portion of revenues received under the Land Development Agreement with the Saskatchewan Housing Corporation (SHC). A capital contribution of $10,000 per unit of affordable housing, which is defined as housing for individuals and families who are at or below the Provincial Maximum Income Levels (MILs) or housing established by non-profit housing providers and Aboriginal organizations, may be provided from the Social Development Reserve.

5.2.1.3. Strategic land acquisition or exchange for donation, land lease, or below market value provision

According to a report by CMHC[31], land costs and availability are a major contributing factor for housing supply and pricing. This report states that land prices comprise anywhere from 30 to 75% of the total sale price of housing in Canada [32]. When land prices rise and resources for developers of affordable housing remain scarce, it becomes increasingly difficult for them to find land that they can afford. This makes surplus and vacant public lands a valuable public resource and presents a major opportunity to produce new affordable housing.[33] By making publicly owned land and buildings available for the development of affordable housing, municipalities can help to ensure an adequate supply of lower-cost homes in areas with high land costs and limited development opportunities. The property may be offered at fair market value, at a discount, or even at no cost.

From the 1960s until the 1980s, government land and building acquisition was understood to be the best way to provide scaled-up affordable housing. Large projects with up to 50% non-profit rental, such as Toronto's St. Lawrence Neighbourhood, with more than 4,000 homes, were

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[30] Government of Victoria. Victoria Housing Reserve Fund. Retrieved from: https://www.victoria.ca/EN/main/residents/housing-strategy/victoria-housing-fund.html

[31] Canada Mortgage and Housing Corporation (2018). Examining Escalating House Prices in Large Canadian Metropolitan Centres. Retrieved from:https://www.straight.com/files/v3/files/cmhc_housing_study.pdf

[32] BC Chamber of Commerce (2020). Land Trust Initiative. Retrieved from: https://bcchamber.org/policy/land-trust-initiative-2020/

[33] Family Housing Fund (2018). Prioritizing Public Lands for Affordable Housing. Retrieved from: https://www.fhfund.org/wp-content/uploads/2018/09/FHF_PublicLands_ModelPolicies.pdf

facilitated through land acquisition funded by all three levels of government.[34] Similarly local jurisdictions can also help to overcome the obstacle by identifying public property that can be repurposed for residential use and making it available to developers who commit to creating and maintaining ongoing affordability.

According to a study in Metro Vancouver, rental homes that aim to address housing need for very low- and low-income households require free land, construction grants, waivers of development charges and application fees, favourable financing, and ongoing operational support to be feasible in the long term.[35] Leasing free government or non-profit land can reduce costs by between 15 and 25%, depending on location.[36] To set the stage for the use of publicly owned property to create additional affordable homes, some communities adopt a policy that requires public agencies to first make surplus or underutilized public land or buildings available to developers who commit to creating affordable or mixed-income housing.[37] In California for example the Surplus Land Act requires public entities to give first priority to organizations that will create residential developments where at least 25% of the units are affordable to low-income households. Where this is the case, cities may be able to adopt stronger affordability requirements in accordance with local goals.[38]

Property for affordable housing can be acquired through donations or grants of land from sources in any level of government. To this point, the County has provided County owned land for free or has leased County-owned land to not-for-profit developers on an ad-hoc basis in the past. As land is donated, recipient housing providers require fewer resources and energy to undertake the housing development compared to other strategies.[39] It can be suitable in smaller communities with more and somewhat less valuable land than urban areas. It also has the potential for lower cost housing due to low cost of land and lower infrastructure requirements.

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[34] Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo (2022). Who does what series: The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/#_edn47

[35] Coriolis Consulting Corp. and Wollenberg Munro Consulting Inc., (2019), Reducing the Barrier of High Land Cost: Strategies for Facilitating More Affordable Rental Housing Construction in Metro Vancouver. Retrieved from http://www.metrovancouver.org/services/regional-planning/PlanningPublications/ReducingBarrierHighLandCost.pdf

[36] Coriolis Consulting Corp. and Wollenberg Munro Consulting Inc., (2019), Reducing the Barrier of High Land Cost: Strategies for Facilitating More Affordable Rental Housing Construction in Metro Vancouver. Retrieved from http://www.metrovancouver.org/services/regional-planning/PlanningPublications/ReducingBarrierHighLandCost.pdf

[37] Local Housing Solutions. Use of publicly owned property for affordable housing. Retrieved from: https://localhousingsolutions.org/housing-policy-library/use-of-publicly-owned-property-for-affordable-housing/

[38] Local Housing Solutions. Use of publicly owned property for affordable housing. Retrieved from: https://localhousingsolutions.org/housing-policy-library/use-of-publicly-owned-property-for-affordable-housing/

[39] BC Housing Research Centre (2017). A Scan of Leading Practices in Affordable Housing. Retrieved from: https://www.bchousing.org/sites/default/files/rcg-documents/2022-04/Leading-Practices-Affordable-Housing.pdf

However, leased land can be more complicated to administer and to attract buyers than a model where the land is sold but controlled by another mechanism such as a covenant.

While the County has provided land to prospective residential developers of affordable housing in the past, the recommendation for this incentive would be to set up a proactive system to identify a steady supply of land to which could be donated, leased, or sold at below market value to not-for-profit housing providers to be used for the provision of affordable housing.

Advantages	Challenges
• Reduced land costs for developers of affordable housing which will significantly impact the feasibility of an affordable housing project and overall housing affordability • Proactive funding of a land acquisition program in greenfield areas can ensure the securement of ideal locations and best costing scenarios for affordable housing in new communities and avoid attempts to retrofit facilities into less than ideal locations • If land is surplus, a more efficient use of government-owned surplus land and low investment for government if the land is surplus with the potential of high returns in terms of affordable housing	• If land is surplus, the municipality may be passing up a chance to sell the land at a much higher rate or land may not be in an ideal location for affordable housing (e.g., not close to transit or services) • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning

Permitting Legislation

Municipal Government Act, s. 671(2.1)

Implementing the Option

The *Municipal Government Act* states that community reserve land may be used by a Municipality for affordable housing. As community reserves require compensation, a funding strategy is required for implementing the incentive of providing the County-owned land for affordable housing. An agreement registered on title may be necessary to ensure the affordable units are provided and maintained at affordable rates for the period stated. It may also be beneficial for the County to maintain ownership of the land and lease it at below market rates rather than selling or donating it.

Case Studies

Vancouver, British Columbia

In 2007, for example, the City of Vancouver dedicated 14 City-owned sites to create 1,500 units of supportive housing in partnership with BC Housing, which is providing funding to cover construction costs as well as operational subsidies. As of 2015, thirteen of the 14 sites were complete.[40] Another example is from the Fraser view Housing Co-op where the land is owned by the City and provides 99-year leases on four sites to the Vancouver Community Land Trust Organization[41]. The foundation is working with co-op and non-profit housing providers to develop the housing which includes 278 units for moderate to low-income families and singles. It targets 76% of market rents across four properties. Housing organizations are investing $5 millions of their own equity to make it more affordable. BC Housing is investing $4 million of equity and more than $90 million in construction financing. The Land Trust is also making use of private equity from New Market Funds, a social impact investment firm targeting housing. Revenue generated via the projects will return to operate housing organizations and maintenance.

Housing Now Program - Toronto, Ontario

Housing Now is one component of the City of Toronto's Housing TO 2020-2030 Action Plan to address the full spectrum of housing issues in Toronto. It is an initiative to activate City-owned sites for the development of affordable housing within mixed-income, mixed-use, transit-oriented communities. The City Council launched Phase One of Housing Now in January 2019 with 11 sites which is expected to deliver over 10,000 new homes, including approximately 3,700 affordable rental homes.

In May 2020, six new sites were added to the Housing Now Initiative. The additional six sites are Housing Now Phase Two and are estimated to add between 1,455 and 1,710 new residential homes to the program, including approximately 1,060 to 1,240 purpose-built rental homes of which approximately 530 to 620 will be affordable rental homes.

In November 2021 City Council approved four additional sites to be added to the Housing Now Initiative as Phase Three. These sites are estimated to add between 1,150 and 1,400 new homes, including between 450 and 600 affordable rental homes. City Council also approved the creation of six pipeline sites, which can be added to future phases of the Housing Now Initiative once early feasibility assessments are complete.

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[40] Abra Adamo. (2016). Five Planning Tools to Improve Housing Affordability. Retrieved from: http://www.cahdco.org/five-planning-tools-to-improve-affordability/
[41] BC Housing. A Scan of Leading Practices in Affordable Housing in Small Communities. Retrieved from: http://www.whistlercentre.ca/sumiredesign/wp-content/uploads/2015/02/Leading-Practices-Scan_final-for-workshop.pdf

5.2.3. Annual (Operating) Incentive Options

This section presents the **annual (operating) incentive** options available to the County to be included in an Affordable Housing Incentive Program.

5.2.2.1. Property tax exemption or reduction

Ongoing expenses for affordable housing operators, such as property taxes, limit the financial feasibility of affordable housing projects. While both non-market and market developers face the same municipal regulatory compliance challenges, the impacts are more acute for the not-for-profit and co-op housing sectors. Reducing operating costs by municipal contributions such as property tax exemptions or reductions can thus become critical in offsetting long-term operating costs, increasing affordability, and enabling projects to leverage necessary contributions from other funders.

Property tax exemptions are particularly important for projects that do not have an ongoing government subsidy. In some jurisdictions, property taxes can be as much as 20% of a project's annual operating expenses. Without the burden of needing to generate enough rental income to cover property tax expenses, the project can charge lower rents that are affordable to lower household incomes and can turn market units into non-market homes.[42] Property tax exemptions significantly benefit affordable housing projects in municipalities with high land prices and without ongoing government subsidies to help reduce long-term operating costs.

In conjunction with their local policies on affordable housing and incentives for it, municipalities have the option to reduce the property tax rate for certain types of development. Some municipalities provide property tax exemptions to promote various local development initiatives. By exempting property from taxation, it reduces the ongoing costs of an agency's operations. It should be noted that the County may only exempt or discount County taxes, and that other property taxes such as school board taxes would still be applicable.

[42]Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo(2022). The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/#_edn47

Advantages	Challenges
• Lessens the burden on operating costs for affordable multi-residential rental housing • Can be used in tandem with a capital incentive to provide financial relief as a project comes on-line • Dependant on term, may provide longer lasting impacts on affordability	• Decreases an important source of revenue for municipalities • The exemption generally only applies to the affordable units so it may increase complexity in a mixed market and affordable project • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning

Permitting Legislation

Municipal Government Act, s. 364(1)

Municipal Government Act, s. 297(2) – by assigning sub-class for affordable housing

Implementing the Option

According to the *Municipal Government Act*, the Council may, by bylaw, exempt from taxation any property held by a non-profit organization.

To implement the property tax exemption or discount for the development of affordable housing units provided by non-profit organizations, a bylaw may be passed by the council to provide for full or partial exemptions from taxation for affordable housing providers. It can also suggest deferrals of the collection of tax for the affordable housing providers. The bylaw can identify the criteria for applications that may receive full exemption or partial exemption. The County may set conditions to be met for affordable housing providers to qualify for an exemption or discount. It must also specify the taxation year or years for which the affordable housing providers may qualify for an exemption or deferral and specify any conditions, the breach of which cancels an exemption or deferral and the taxation year or years to which the condition applies.

Additionally, the *Municipal Government Act*, s. 297(2) allows Council, by Bylaw, to divide the residential property class into sub-classes. This allows Council to assign taxation rates for separate classes of residential properties, providing for the opportunity to assign lower rates for affordable housing properties.

A grant in lieu could also be utilized to implement a tax exemption or reduction.

Case Studies

Victoria and Langford, British Columbia

Victoria and Langford on Vancouver Island offer a 100% permissive tax exemption to not-for-profit affordable housing projects for 10 years. While it is not a property tax exemption for the life of the building, the costs savings still enable projects in those municipalities to stabilize rents, maintain greater levels of affordability, and reduce the project's overall debt load over those 10 years.[43]

The affordable housing project by M'akola Development Services in the City of Langford illustrates how municipal contributions can directly impact affordability. As part of Langford's affordable housing program, the City provided a 10-year property tax exemption, development cost charge waivers, and a $463,600 grant from the Affordable Housing Fund to reduce development costs, along with $777,500 in property tax savings over 10 years. A total of $1.2 million in municipal contributions enabled the project to reduce rents from $1,050 a month for people with low to moderate incomes to $980. The project is a recently approved, 157-unit affordable seniors' rental building in Vancouver. The project successfully received Federal funding and financing and has no ongoing government subsidy, which means the building's rental income must cover all debt and operating expenses.[44]

City of Edmonton, Alberta

In 1974, the City of Edmonton created two subclasses for residential properties, 'Residential' and 'Other Residential'. The new subclass, 'Other Residential' was defined as four or more self-contained dwelling units which are used or intended to be used for permanent living accommodations.[45] This new subclass of property was taxed at a higher property tax rate than 'Residential' properties. Prior to 1974, single detached houses benefitted from preferential treatment through the assessment process; when this preference was no longer permitted under provincial legislation, the new tax subclass was created partly to maintain this benefit. This subclass was reviewed in 2022 and a recommendation was made to council to eliminated the subclass in efforts to support policies to increase density in the Edmonton City Plan.

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[43] Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo(2022). The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/#_edn47

[44] Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo(2022). The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/#_edn47

[45] City of Edmonton (2022). Council Report - *IMPLICATIONS OF ADJUSTMENTS TO RESIDENTIAL TAX RATES AND SUBCLASSES - FURTHER ANALYSIS*. Retrieved from: https://pub-edmonton.escribemeetings.com/filestream.ashx?DocumentId=130137

Town of New Glasgow, Nova Scotia

The Town of New Glasgow is providing a property tax exemption for the next 20 years to augment the funding from the Federal Rapid Housing Initiative as well as $3 million from the Province. As part of this initiative, Town of New Glasgow is providing a tax exemption for the next 20 years for the Nova Scotia Co-operative Council to continue to create housing solutions in the community.[46]

5.2.2.2. Annual Operating Grant

There are considerable expenses linked to the daily operation of housing and which have an impact on the owner's ability to provide rents at an affordable rate. These ongoing operating expenses include property taxes, insurances, utilities including water, sewer, and trash collection, management, maintenance and repairs, landscaping, accounting and legal, snow removal and pest control, etc.

An annual operating grant could cover the costs associated with operating affordable housing units which would help to increase the supply of affordable housing and significantly lower average rents. Therefore, the incentive proposed here is to provide a grant to operators or affordable housing units on an annual basis to cover the operating costs associated with the units. This grant could be eligible for private homeowners who want to add an affordable secondary suite or additional unit as well.

The County may consider providing the annual operating grant in lieu of other annual (operating) incentives, such as the exemption from property taxes, in the amount of the annual expense. This would provide the same benefit in terms of providing affordable housing but would represent an expenditure instead of a loss of revenue for the County. This allows the County to set aside funding for these grants during the budgeting process.

Advantages	Challenges
• Lowers the cost of operational expenditures for rental accommodation for affordable dwellings. • Can be used to subsidize rental rates, contributing to increasing the supply of affordable housing and lowering average rents.	• Is likely to result in other county projects or initiatives being delayed or replaced. • Requires an elongated term to ensure that the incentive is not resulting in rental rate fluctuations that could displace tenants.

[46] Municipal Affairs and Housing (2022), Province Supports Rapid Housing Project in New Glasgow," Government of Nova Scotia, Canada, Retrieved from: https://novascotia.ca/news/release/?id=20220526001.

Advantages	Challenges
	• Without specific policy regulations, it is challenging to guarantee that cost reductions translate into affordable housing. • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning.

Permitting Legislation

Municipal Government Act, 264(2)

Implementing the Option

Providing an annual operating grant would require identifying a funding source, such as an "annual operating revolving fund" or an "affordable housing reserve fund". It would also require continuous monitoring to ensure compliance with all requirements associated with the grant. Many municipalities also identify a set amount available on an annual basis to increase transparency and predictability. County staff have communicated that an annual operating grant would only be considered for non-profit developer or organizations.

Case Studies

Outside Agency Operating Grant Program, St. Albert, Alberta

The Outside Agency Grant Program is available for eligible community groups to assist with offsetting annual operating expenses, specifically staffing and facility operating costs. To be eligible, a St. Albert registered not-for-profit organization must offer community support services in the areas of recreation, culture, or social support, which provides the support needed to help vulnerable residents be successful in the community, including within their housing, recreation, culture, and social environments.

5.2.4. Eliminated Incentive Options

This section presents the incentive options that were evaluation and are not recommended to be included in the Strathcona County Affordable Housing Incentive Program. For more detailed information related to each of these eliminated incentive options, see Appendix D of this report.

5.2.4.1. Exemption or deferral of off-site levies

Off-site Levies, referred to as development charges in other jurisdictions, are used by municipalities in several Canadian provinces including Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, and Saskatchewan to pay for the growth-related capital costs associated with new development or redevelopment. Off-site Levies are a one-time fee which are collected from developers to help pay for the services required by new developments such as roads, transit, water and sewer infrastructure, community centres and fire and police facilities. The charges are intended to offset the cost of increased services and infrastructure required due to population growth within the County, resulting from new development. The County can use off-site levies to pay for ‘hard services’ such as water, wastewater, stormwater management or roads, and ‘soft services’ such as recreation centers, libraries, firehalls or police stations, although it should be noted that the County currently only uses these levies for hard services.

Through engagement with County staff, it was determined that the timelines involved with the payment of off-site levies and the effects such a program would have to existing levy basins would not justify the financial and administrative effort required for this Program.

5.2.4.2. Tax increment equivalent grant or tax increment financing (TIEG or TIF)

A tax increment equivalent grant is a form of financial assistance equal to all or a portion of the Municipal property tax increase within the community improvement area. It allows a Municipality to provide grants or loans to offset eligible remediation and redevelopment costs in a specific area of the Municipality.[47] The idea behind a TIEG is to use future property tax gains expected from redevelopment, to help finance the actual redevelopment in the form of a grant back to the property owner. It is considered revenue neutral since the grant does not come out of the existing tax base. Rather, the Municipality is using a future amount of property tax revenue to

[47] Example of a Tax Increment Equivalent Grant. Retrieved from: https://pub-oakville.escribemeetings.com/filestream.ashx?documentid=26336

invest in the community today. The actual value of the tax increment can be estimated from a combination of land value and building permit value.[48]

Another form of incentives is the tax increment financing (TIF). This method has provided municipalities with a locally administered redevelopment financing tool that uses the rise in economic value and associated increase in tax receipts that accompanies successful urban redevelopment.[49] TIF allows local governments to invest in public infrastructure and other improvements up-front. Local governments can then pay later for those investments. They can do so by capturing the future anticipated increase in tax revenues generated by the project. This financing approach is possible when a new development is of a sufficiently large scale, and when its completion is expected to result in a sufficiently large increase in the value of surrounding real estate such that the resulting incremental local tax revenues generated by the new project can support a bond issuance. TIF bonds have been used to fund land acquisition, sewer and water upgrades, environmental remediation, construction of parks, and road construction, among others.[50]

While this type of incentive is utilized throughout Canada, it would be difficult to demonstrate the need given the current development trends and conditions in the County. Through engagement with County staff, it was determined that the amount of administrative costs and effort, the lengthy process and steps requiring approvals by both Council and ministerial approval, would not be worth pursuing for this incentive Program given the unlikelihood of provincial approval.

5.2.4.3. Density bonusing

Density bonusing is a common planning and regulatory measure used to stimulate the creation of affordable housing in Canada. Many Canadian cities are pursuing higher density development in existing built-up areas through a planning strategy known as “intensification” under their Official Plans. The intensification is often achieved by up-zoning – a planning decision granting property developers an increase in building height or density beyond what is permitted under existing bylaws.

Density bonuses are also common cost offsets in mandatory inclusionary zoning policies. Property developers are granted a density increase above base zoning in exchange for the provision of community benefits, which may be used to increase the supply of affordable housing. The additional cash flow from these bonus units offsets the reduced revenue from the affordable units.[51] Allocation of community benefits helps to address community infrastructure and service needs and improve the livability of growing neighbourhoods. Through engagement with County staff, it was determined that given the context of the County there was not sufficient demand for increased densities to support such a program.

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[48] Example of a Tax Increment Equivalent Grant. Retrieved from: https://pub-oakville.escribemeetings.com/filestream.ashx?documentid=26336
[49] The World Bank. Tax Increment Financing (TIF). Retrieved from: https://urban-regeneration.worldbank.org/node/17
[50] The World Bank. Tax Increment Financing (TIF). Retrieved from: https://urban-regeneration.worldbank.org/node/17
[51] Center for Land Use Education. Planning Implementation Tools Density Bonus (2005). Retrieved from: https://www3.uwsp.edu/cnrap/clue/documents/planimplementation/density_bonus.pdf

6. Evaluating the Options

As the previous sections have shown, housing is unaffordable for many County residents. While financial incentives encourage the development of affordable housing, there are costs to the County of providing these incentives. For instance, grants in lieu of planning and development fees implies departments must take on these costs without the corresponding revenue. As such, a financial analysis was undertaken to determine the impact of the recommended financial incentives on the feasibility of affordable rental housing projects in the County and to assist the County in evaluating the value of providing these incentives.

6.1. Financial Impact Analysis

The following financial incentives were considered in the financial analysis:

- Exemption of planning application and building permit fees
- Strategic land acquisition or exchange
- Property tax exemption or reduction
- Operating grant (excluding property tax exemption)
- Combination of all incentives listed above

Assumptions and Pro Forma Prototypes

The County has both urban and rural communities. As such, a financial analysis was conducted for affordable housing developments in both urban and rural areas of the County. Two prototype scenarios were used in this analysis. Scenario 1 is a multi-residential apartment building in an urban area of the County. Scenario 2 is a townhouse with rental housing units which could be in either an urban area or a rural area (growth hamlet) of the County. These two scenarios take into account the different characteristics of these communities, including the appropriate building type for each community, price of land, services available, planning policies, and planning and development fees and charges.

The County provided some comparable projects to serve as the basis for some of the assumptions used in this analysis. As such, while the analysis uses hypothetical projects, the assumptions used are based on actual projects that have been built recently as well as the current fees and charges.

The following table shows the summary of assumptions used for the financial analysis. In both scenarios, it was assumed that a not-for-profit would be the developer and 100% of the units would be affordable. It was assumed that wood frame construction and surface parking would be used for both scenarios. Building size was estimated based on recently completed developments in the County with 20% of the gross floor area being designated for circulation and amenity space. The value of land for each scenario is also based on recently completed projects.

Scenario 1 considers the development of a 110-unit affordable rental apartment building with four storeys located in an urban area of the County. The prototype building has a total gross floor area of 105,000 square feet with 21,000 square feet allocated for circulation and amenity space. Of the 110 units in this prototype, there are 55 one-bedroom units, 45 two-bedroom units, and ten three-bedroom units. The cost of land was estimated at $2,600,000 or about $24,000 per unit. Onsite parking, based on 1.1 spaces per unit (including visitor parking), has been assumed for this prototype.

Scenario 2 considers the development of a townhouse building with six rental units. This scenario could potentially be found in an urban area of the County as well as in a rural area. The prototype building has a total of 9,000 square feet with about 1,700 square feet allocated for circulation and amenity space. Of the six units in this prototype, two are two-bedroom units and four are three-bedroom units. The cost of the land is estimated at approximately $600,000 or $100,000 per unit. The land cost per unit for this scenario is significantly higher compared to the first scenario due to economies of scale. There are 1.5 onsite parking spaces for every two-bedroom unit and two spaces for each three-bedroom unit for this prototype.

Table 9: Summary of Assumptions for the Financial Analysis

Scenario 1	Scenario 2
Urban	**Rural or Urban**
Multi-residential Apartment	Townhouse
Land Value - $24,000 per unit	Land Value - $100,000 per unit
Wood Frame	Wood Frame
105,000 ft^2	9,000 ft^2
110 units	6 units
4 storeys	2 storeys
Amenity and Circulation Space – 21,000 ft^2	Amenity and Circulation Space – 1,700 ft^2
1 bedroom (50% - 55 units)	1 bedroom (0% - 0 units)
2 bedroom (40% - 45 units)	2 bedroom (33% - 2 units)
3 bedroom (10% - 10 units)	3 bedroom (67% - 4 units)

Pricing and Unit Size

The table below provides a detailed overview of the assumptions related to pricing and unit size. Unit sizes were estimated based on information collected from recently completed developments in the County. Rental rates were established based on 80% of median market rent (MMR) for the County as reported by CMHC in 2021. The table below also includes rental rates which reflect 80% of MMR for the Edmonton Metropolitan Region, for comparison. These rents would qualify the not-for-profit housing provider for the CMHC Co-Investment Fund grant and related lower interest rate, as well as an amortization period of 50 years.

Table 10: Pricing and Unit Sizes

			Strathcona County Rental Rates		Edmonton Metropolitan Region Rental Rates	
	Unit Type	**Unit Size** (square feet)	80% MMR $ per month	80% MMR $ per square foot per month	80% MMR $ per month	80% MMR $ per square foot per month
Scenario 1: Urban	1-bedroom	650	$1,010	$1.55	$815	$1.25
	2-bedrooms	825	$1,150	$1.39	$1,000	$1.21
	3-bedrooms	1,050	$1,130	$1.08	$1,125	$1.07
Scenario 2: Rural or Urban	2-bedrooms	825	$1,150	$1.39	$1,000	$1.21
	3-bedrooms	1,300	$1,130	$0.87	$1,125	$0.87

New affordable housing units which are developed through the support of the Strathcona County Affordable Housing Incentive Programs and are rented at 80% of the County's MMR will help to bring rents across the County more in-line with those across the region more broadly, which tend to be lower and more affordable. This will allow more households with low- and moderate- incomes in the region to settle in the County rather than elsewhere.

Capital Cost Assumptions

The following sections describe the capital costs included in the scenarios. Capital costs can be categorized into soft costs and hard costs.

Soft Costs

Soft costs include all the non-construction related costs that a developer must make to develop a building and include:

- Professional fees including architect, engineers, project management and other consultant fees
- Site-related studies
- Planning and development fees
- Legal, financing and insurance fees

Soft costs are largely dependent on the type of building, sites, and other development specifications, however, once the development specifications are known, these costs can be predicted quite accurately. Soft costs were determined based on desktop research and SHS Consulting's considerable development experience.

Hard Costs

Hard costs include the cost of labour, materials, and land required to build a building. These costs might include:

- Demolition
- Site servicing
- Construction costs
- Furnishings
- Fixtures
- Equipment
- Land

There are a number of factors that impact the hard costs of a project. These are often based on the site, as well as the design, size and height of the building, however, once these have been determined, the hard cost for a project are relatively fixed. Construction costs are primarily based on the 2021 Altus Cost Guide for multi-residential developments in Edmonton for this analysis. As mentioned previously, the cost of land for each scenario is based on recently completed projects in the County.

The overall capital cost for the two scenarios results in an average per unit cost of approximately $336,000 for Scenario 1, and $478,000 for Scenario 2.

The following table provides a summary of the estimated capital costs for each scenario.

Table 11: Summary of Capital Costs

	Scenario 1 Urban		Scenario 2 Rural or Urban	
CAPITAL COSTS - SOFT COSTS				
Professional Fees (includes architect, engineers, cost consultant, development consultant, planners)	$3,579,982		$198,755	
Site Related Studies (includes appraisal, topo and boundary surveys, ESA, geotechnical and other studies)	$270,000		$137,000	
Legal and Financing Costs (includes legal, financing, mortgage insurance, marketing, audits and other administration costs)	$640,817		$117,274	
Fees and Permits (includes development permit, building permit, and other fees)	$246,148		$12,499	
Soft Cost Contingency	$457,495		$40,853	
Soft Cost Total	**$5,194,443**	**14%**	**$506,382**	**18%**
CAPITAL COSTS - HARD COSTS				
Construction Costs (includes base construction costs, site servicing hydro connection, appliances)	$24,929,281		$1,498,759	
Escalation and Contingency	$2,642,504		$158,868	
Land Cost	$2,605,469		$599,375	
Hard Cost Total	**$30,177,254**	**81%**	**$2,257,003**	**77%**
GST before rebates	**$1,615,338**	**5%**	**$106,038**	**5%**
TOTAL CAPITAL COSTS	**$36,987,034**	**100%**	**$2,869,421**	**100%**
Per Unit	$336,246		$478,237	

Sources of Funds

It is estimated that the not-for-profit housing provider would need to contribute approximately $25.3 million ($230,000 per unit) in Scenario 1 or approximately $2.1 million ($345,000 per unit) in Scenario 2. Other contributions to the project include CMHC Co-Investment Funding (5% of total project costs) and a mortgage of approximately $86,000 per unit in Scenario 1 or $107,000 per unit in Scenario 2 to achieve a required minimum Debt Coverage Ratio of 1.05. The County currently already offers a 50% discount for permits issued on behalf of non-profit housing corporations for low-cost housing projects. This discount is represented as “Existing County Fee Reductions” in the table below.

The source of funds is summarized in the following table for each scenario.

Table 12: Summary of Sources of Funds

	Scenario 1 Urban		Scenario 2 Rural or Urban	
CONTRIBUTIONS				
Existing County Fee Reductions	$123,074		$6,250	
Not-for-Profit’s Contributions	$25,300,175		$2,068,373	
CMHC Co-Investment Fund Contribution (Grant) Portion	$1,850,000		$140,000	
GST Rebate	$223,662		$14,682	
Contribution Total	**$27,496,911**	**74%**	**$2,229,305**	**78%**
MORTGAGE				
Mortgage	$9,490,123	26%	$640,116	22%
TOTAL CONTRIBUTIONS	**$36,987,034**	**100%**	**$2,869,421**	**100%**
Per Unit	$336,246		$478,237	

Operating Revenue and Expenses

Rental revenue has been assumed to be 80% of median market rent (MMR) for Strathcona County as reported by CMHC. Operating expenses are based on the typical costs incurred by not-for-profit housing providers in the County. It has also been assumed that heat, hydro and water are included in the tenants’ rents. The mortgage has been assumed at 4.5% interest rate and a 50-year amortization. Debt coverage ratio (DCR) has been assumed at 1.05 based on the typical requirements of CMHC funding and/or mortgage financing initiatives.

The not-for-profit housing provider’s contribution requirement for a feasible project is based on achieving rents at 80% of MMR. The per unit contribution requirement from the not-for-profit is approximately $230,000 for Scenario 1, which covers 68% of the capital costs, and approximately $345,000 for Scenario 2, which covers 72% of capital costs. This results in significantly large contribution requirements for the not-for-profit provider overall.

Table 13: Summary of Operating Revenue and Expenses

	Scenario 1 Urban	Scenario 2 Rural or Urban
OPERATING – REVENUE		
Rental Revenue (less vacancy loss plus laundry revenue plus parking revenue)	**$1,498,733**	**$89,614**
OPERATING – EXPENSES		
Maintenance (property management salaries and materials)	$441,397	$25,139
Utilities (includes heat, hydro, water)	$203,500	$11,100
Admin Costs (includes finance, insurance, GST)	$119,557	$6,574
Property Taxes	$176,330	$9,618
Capital Reserve	$59,949	$3,585
Sub-Total	**$1,000,734**	**$56,016**
Mortgage Payments	$474,367	$31,996
Total Expenses	**$1,475,100**	**$88,013**
Required Equity for DCR 1.05	**$25,300,175**	**$2,068,373**
Required Equity Per Unit	**$230,002**	**$344,729**
Equity as Percentage of Total Capital Cost	**68%**	**72%**

6.1.1. Impact of Providing the Financial Incentives on the County

There is a cost to the County to provide incentives, particularly financial incentives. For example, exempting non-profit developers from paying planning application and building permit fees means that departments at the County will have to subsidize these activities through their current operating budgets without the corresponding revenue. Additionally, certain fees fund the infrastructure to accommodate the growth brought about by new housing units. The following tables show the cost per unit to the County to provide the recommended financial incentives to the not-for-profit. The cost to the County is separated in the tables below based on whether the financial incentive is a one-time (capital) incentive option or an annual (operating) incentive option.

In Scenario 1, it would cost the County approximately $26,000 per unit to provide the one-time (capital) incentives. In Scenario 2, it would cost the County approximately $102,000 per unit to provide the one-time (capital) incentives.

With regards to the annual (operating) incentive options, these would be ongoing costs to the County. In Scenario 1, the cost to the County to provide the property tax exemption or reduction for one unit would be approximately $1,600 annually. If the County were to offer this incentive to the not-for-profit through a four-year pilot program, the cost would be approximately $6,400 (the annual cost multiplied by four.) In Scenario 2, the cost to the County to provide the property tax exemption or reduction for one unit would be approximately $2,000 annually. If the County were to offer this incentive to the not-for-profit through a four-year pilot program, the cost would be approximately $8,000 (the annual cost multiplied by four.)

The County could also consider providing an additional operating grant (which excludes the property tax exemption) to the not-for-profit. The cost to the County of providing the additional operating grant for one unit for one year is approximately $10,000 in Scenario 1 and approximately $12,000 in Scenario 2. If the additional operating grant were to be provided to the not-for-profit for the life of the building (i.e., for 50 years,) the total cost per unit to the County would be approximately $480,000 in Scenario 1 and $579,000 in Scenario 2.

The cost of a capital grant or forgivable loan was not assessed as it is anticipated that the amount will be set based on the County targets for housing affordability, which are yet to be confirmed.

Table 14: Impact of Providing the One-time (Capital) Incentive Options on the County

		Total cost per unit	
		Scenario 1: Multi residential Apartment (Urban)	**Scenario 2: Townhouse (Rural or Urban)**
One-time (Capital) Incentive Options	Exemption of planning application and building permit fees	$2,238	$2,083
	Strategic land acquisition or exchange	$23,686	$99,896
	Combined total	**$25,924**	**$101,979**

Table 15: Impact of Providing the Annual (Operating) Incentive Options on the County

		Annual cost per unit		Total cost per unit over the life	
		Scenario 1: Multi residential Apartment (Urban)	**Scenario 2: Townhouse (Rural or Urban)**	**Scenario 1: Multi residential Apartment (Urban)**	**Scenario 2: Townhouse (Rural or Urban)**
Annual (Operating) Incentive Options	Property tax exemption or reduction[52]	$1,603	$1,984	$6,412	$7,936
	Operating grant[53][54] (excluding property tax exemption or reduction)	$9,605	$11,577	$480,250	$578,050
	Combined total	**$11,208**	**$13,561**	**$486,662**	**$586,786**

[52] A four-year pilot is recommended for property tax exemptions or reduction, or a grant in lieu. Costs are in 2022 dollars.

[53] Assumes that the non-profit contributed 0% of the capital costs. Contributions to capital costs by the non-profit would reduce the costs of operating grants.

[54] Life of the operating grants are calculated at 50 years. Costs are in 2022 dollars.

6.1.2. Housing Targets

The results from the financial analysis presented in the previous section can be used to identify the impact of providing incentives on the County. This can also provide the County with a solid rationale to set a housing target for the Program. This housing target will be based on a weighing of the cost and benefits to the County of offering financial incentives in exchange for the creation of new affordable housing units.

In this section, three potential options for the County are presented to achieve different housing target levels. Based on this analysis, and assuming the County will provide all of the incentives explored in the previous section, the County's contribution costs will range depending on the number of new affordable housing units created.

Option 1: Low Housing Target

Option 1 is the least costly option, and it assumes that the lowest housing target will be achieved of the three options.

In this option, it is assumed that 37 new affordable housing units (or one third of scenario 1) in multi-residential apartments could be developed. If the not-for-profit developer contributed 0% of the capital costs to the project, the cost to the County to provide the one-time capital incentives for these units would be approximately $959,000 ($82,806 + $876,382). The cost to the County to provide a property tax exemption to the not-for-profit for these units for four years would be approximately $237,000. Finally, the cost to the County to provide an additional operating grant to develop these units would be approximately $17,769,000 spread out over the course of 50 years (i.e., the lifetime of the building.)

Alternatively, it is assumed that 2 new affordable housing units (or one third of scenario 2) in townhouses could be developed. If the not-for-profit developer contributed 0% of the capital costs to the project, the cost to the County to provide the one-time capital incentives for these units would be approximately $204,000 ($4,166 + $199,792). The cost to the County to provide a property tax exemption to the not-for-profit for these units for four years would be approximately $16,000. Finally, the cost to the County to provide an additional operating grant to develop these units would be approximately $1,158,000 spread out over the course of 50 years (i.e., the lifetime of the building.)

Option 2: Moderate Housing Target

Option 2 is the moderate cost option, and it assumes that a moderate housing target will be achieved.

In this option, it is assumed that 74 new affordable housing units (or two thirds of scenario 1) in multi-residential apartments could be developed. If the not-for-profit developer contributed 0% of the capital costs to the project, the cost to the County to provide the one-time capital incentives for these units would be approximately $1,918,000 ($165,612 + $1,752,764). The cost to the County to provide a property tax exemption to the not-for-profit for these units for four years would be approximately $475,000. Finally, the cost to the County to provide an additional operating grant to develop these units would be approximately $35,539,000 spread out over the course of 50 years (i.e., the lifetime of the building.)

Alternatively, it is assumed that 4 new affordable housing units (or one third of scenario 2) in townhouses could be developed. If the not-for-profit developer contributed 0% of the capital costs to the project, the cost to the County to provide the one-time capital incentives for these units would be approximately $408,000 ($8,332 + $399,583). The cost to the County to provide a property tax exemption to the not-for-profit for these units for four years would be approximately $32,000. Finally, the cost to the County to provide an additional operating grant to develop these units would be approximately $2,315,000 spread out over the course of 50 years (i.e., the lifetime of the building.)

Option 3: High Housing Target

Option 3 is the costliest option, and it assumes that the highest housing target will be achieved of the three options.

In this option, it is assumed that 110 new affordable housing units (or 100% of scenario 1) in multi-residential apartments could be developed. If the not-for-profit developer contributed 0% of the capital costs to the project, the cost to the County to provide the one-time capital incentives for these units would be approximately $2,851,000 ($246,180 + $2,605,460). The cost to the County to provide a property tax exemption to the not-for-profit for these units for four years would be approximately $705,000. Finally, the cost to the County to provide an additional operating grant to develop these units would be approximately $52,828,000 spread out over the course of 50 years (i.e., the lifetime of the building.)

Alternatively, it is assumed that 6 new affordable housing units (or 100% of scenario 2) in townhouses could be developed. If the not-for-profit developer contributed 0% of the capital costs to the project, the cost to the County to provide the one-time capital incentives for these units would be approximately $612,000 ($12,498 + $599,375). The cost to the County to provide a property tax exemption to the not-for-profit for these units for four years would be approximately $48,000. Finally, the cost to the County to provide an additional operating grant to develop these units would be approximately $3,473,000 spread out over the course of 50 years (i.e., the lifetime of the building.)

Table 16: Overview of the Housing Target Options

		Scenario 1: Multi residential Apartment (Urban)		Scenario 2: Townhouse (Rural or Urban)	
		Total Annual Cost	Total cost over the life	Total Annual Cost	Total cost over the life
Option 1: Low Target	**# Units**	**37**		**2**	
	Exemption of planning application and building permit fees	-	$82,806	-	$4,166
	Strategic land acquisition or exchange	-	$876,382	-	$199,792
	Property tax exemption or reduction[55] *(4-year pilot)*	$59,311	$237,244	$3,968	$15,872
	Operating grant[56] [57] (excluding property tax exemption or reduction) *(50-year i.e., life of building)*	$355,385	$17,769,250	$23,154	$1,157,700
Option 2: Moderate Target	**# Units**	**74**		**4**	
	Exemption of planning application and building permit fees	-	$165,612	-	$8,332
	Strategic land acquisition or exchange	-	$1,752,764	-	$399,583
	Property tax exemption or reduction[61] *(4-year pilot)*	$118,622	$474,488	$7,936	$31,744
	Operating grant [62] [63] (excluding property tax exemption or reduction) *(50-year i.e., life of building)*	$710,770	$35,538,500	$46,308	$2,315,400
Option 3: High Target	**# Units**	**110**		**6**	
	Exemption of planning application and building permit fees	-	$246,180	-	$12,498
	Strategic land acquisition or exchange	-	$2,605,460	-	$599,375
	Property tax exemption or reduction[61] *(4-year pilot)*	$176,330	$705,320	$11,904	$47,616
	Operating grant[62] [63] (excluding property tax exemption or reduction) *(50-year i.e., life of building)*	$1,056,550	$52,827,500	$69,462	$3,473,100

[55] A four-year pilot is recommended for property tax exemptions or reduction, or a grant in lieu. Costs are in 2022 dollars.

[56] Assumes that the non-profit contributed 0% of the capital costs. Contributions to capital costs by the non-profit would reduce the costs of operating grants.

[57] Life of the operating grants are calculated at 50 years. Costs are in 2022 dollars.

6.2. Stakeholder Evaluations

In addition, an engagement session was undertaken with key housing stakeholders from the not-for-profit sector in the County in December 2022 to evaluate each of the proposed incentive options. The session was undertaken with six (6) housing stakeholders representing five (5) not-for-profit housing providers. Stakeholders were asked to evaluate the incentive options based on the advantages and challenges associated with each of them, as well as their impact on the development of affordable housing in the County.

The following tables show the interest level for each of these incentives based on the feedback from non-profit residential developers. The level of interest of the non-profit development industry is, in general, based on the impact of the incentive options on the impact on the financial feasibility of a project. The responses of all groups also considered the impact on housing affordability.

6.2.1. Barrier Reduction Measures

As the following table shows, stakeholders from the non-profit development industry expressed more moderate interest in the barrier reduction measures. This is because receiving these incentives would help make affordable housing projects more financially feasible however they would not have as great of an impact on affordability as some of the other incentives being considered.

Although permitting mixed density zoning in established areas would create the opportunity to develop higher density housing in areas where it was not previously permitted, there is the possibility of developers experiencing challenges associated with NIMBY-ism in those areas.

Allowing for alternative development regulations could have the potential to reduce development timelines which would be moderately desirable for the non-profit developers. Non-profit developers did express that waiting long periods to received application approvals was a challenge they currently faced in bringing new affordable housing to the market in the County.

Table 17: Barrier Reduction Measures Impacts

Incentive Options	Impact to Affordability		
	Low	Moderate	High
Mixed density zoning in established areas – Community Redevelopment Strategy	✓		
Alternative development regulations – Red Tape Reduction		✓	

6.2.2. One-time (Capital) Incentive Options

As the following table shows, stakeholders from the non-profit development industry expressed high interest in most of the one-time (capital) incentive options as these would help make affordable housing projects more financially feasible.

Particularly, non-profits expressed a high interest in receiving capital grants or forgivable loans through this program. Some of what we heard from the non-profit developers about this incentive was that this would be a very desirable incentive for improving feasibility of projects. To achieve high impacts on affordability over the long term though there should be a caveat that the units be maintained as affordable for a certain number of years. It was noted that the units should be maintained as affordable for a 40-year period or for the lifespan of the building (whichever comes first). The County should implement an annual reporting system to ensure accountability of the providers and that the affordable rent levels are being maintained.

In addition, strategic land acquisition or exchange scored high in terms of its impact on affordability according to the non-profit developers engaged. Non-profit developers expressed that this incentive would allow more projects to get off the ground since currently they face constraints in acquiring land. The developers expressed an interest in either being sold the lands for below market rates or entering into a 100-year lease agreement.

Although non-profit developers had a high interest in the other one-time (capital) incentive options, in contrast, an exemption of planning application and building permit fees was of low interest to the non-profit developers. During the discussion, developers stated that although this incentive would be beneficial for non-profits with their financial planning, it may not produce material impacts over a long period of time. Fees are not the main challenge with planning application processes that they currently face. Rather, a reduction in timelines to receive approvals of applications would have more of an impact on affordability and feasibility from their perspective.

Table 18: One-Time (Capital) Incentive Impacts

Incentive Options	Impact to Affordability		
	Low	Moderate	High
Exemption of planning application and building permit fees	✓		
Capital grant or forgivable loan			✓
Strategic land acquisition or exchange			✓

6.2.3. Annual (Operating) Incentive Options

As the following table shows, stakeholders from the non-profit development industry expressed moderate to high interest in the annual (operating) incentive options. This is because receiving these incentives would help make affordable housing projects more financially feasible and have a subsequent impact on affordability for households.

Non-profit developers in the County were highly interested in seeing an operating grant be included in the Program. They also were more moderately interested in the County including property tax exemptions or reductions in the Program. Since an operating grant would cover the costs of property taxes and more, this incentive was more desirable for the non-profit developers.

During the session with the developers, they expressed that receiving an operating grant would allow them to provide deeper subsidies to their clients on an ongoing basis. Receiving an operating grant through this Program would allow them to achieve more consistency and be more sustainable. In order for this incentive to be fair to their clients, there would need to be continuity over time. It would be difficult for them to be sustainable if the operating grant were to be removed at some point in the future.

Table 19: Annual (Operating) Incentive Impacts

Incentive Options	Impact to Affordability		
	Low	Moderate	High
Property tax exemption or reduction		✓	
Operating grant			✓

6.2.4. Ranking the Incentive Options

The non-profit developers were also asked to rank the incentive options based on which incentives would have the greatest impact on your ability to provide deeper levels of affordability. They were asked to rank the seven incentives from 1 to 7. The incentive with the highest impact should be ranked as 1, and the lowest impact as 7.

The results of this exercise are presented in the table below.

Table 20: Incentive options priority rankings

	Incentive Options	Priority Rankings
Barrier Reduction Measures	Mixed density zoning in established areas – Community Redevelopment Strategy	**6th**
	Alternative development regulations – Red Tape Reduction	**5th**
One-time (Capital) Incentive Options	Exemption of planning application and building permit fees	**7th**
	Capital grant or forgivable loan	**2nd**
	Strategic land acquisition or exchange	**1st**
Annual (Operating) Incentive Options	Property tax exemption or reduction	**4th**
	Operating grant	**3rd**

7. Recommended Strathcona County Affordable Housing Incentive Program

The financial analysis shows that providing financial incentives have a significant impact on lowering rent levels while maintaining the financial viability of affordable rental projects, particularly if all recommended incentives are provided in combination with capital grants. As such, building on feedback from the not-for-profit development community as well as the financial analysis, it is recommended that the County implement an Affordable Housing Incentive Program to help address the need for housing units which are affordable to households with low and moderate incomes.

As a first step, it is recommended that a four-year pilot program be implemented for more substantive financial incentives to encourage and support the development of affordable housing throughout the County. A four-year time frame would provide the County with the opportunity to evaluate the effectiveness of the program and address any challenges. A pilot program would also provide the County with the opportunity to examine the impact of the program and potential for including additional incentives to a permanent program. The recommended elements of this program are the result of an environmental scan of approaches used in other jurisdictions, the financial analysis of the impact of incentives, and the evaluation of the incentives undertaken with key housing stakeholders.

7.1. Recommended Elements of the Strathcona County Affordable Housing Incentive Program

The County has several options for the provision of an Affordable Housing Incentive Program. Recommendations have been separated into various categories for the County's consideration. Implementation of these recommended programs should also build on and complement federal and provincial funding programs to increase the supply of affordable housing.

Housing Affordability Strategy (Goals, targets and monitoring)

Regardless of the incentives chosen by the County it is recommended that the County first complete a Housing Affordability Strategy that establishes County goals, targets and measurables including an annual monitoring and reporting process to track the effectiveness of the County's actions. Once adopted, goals and targets can be used to affirm the total costs of potential incentive offerings and ensure that such incentives are in alignment with the County's vision for housing affordability.

A target should be set for the number of new housing units by dwelling type and tenure the County would like to support through incentives offered by this program. The funding offered annually through this program should be set as a rolling target so that any funds not accessed in one year can be rolled over to the funding bucket offered the following year.

Monitoring and reporting will also allow the County to fine-tune the program as necessary. It is recommended that the following indicators be monitored and reported on an annual basis while the Pilot Strathcona County Affordable Housing Incentive Program is being implemented.

- Number, type (i.e., dwelling type) and location of applications
- Number of affordable units created
- Type and size of affordable units created
- Depth of affordability of the affordable units created

In addition, it is recommended that the County take the lead in updating the affordable rental and ownership thresholds on an annual basis using the CMHC Median Market Rent levels and median market prices reported annually for the County using the methodology outlined in a previous section of this report.

It is particularly important to implement a monitoring and reporting process during the pilot phase of the Program to be able to implement any necessary changes.

Quick Wins

It is recommended that the County move forward with all the following incentives in the short term:

- Exemption of planning application and building permit fees
- Mixed density zoning in established areas - Community Redevelopment Strategy
- Alternative development regulations - Red Tape Reduction

Though the impact of these incentives is less than others for both the County and housing providers, they can be completed fairly quickly, with minimal resources, and will allow for some additional assistance either through the elimination of fees or streamlined processes.

Strategic land acquisition program

This incentive was ranked the highest priority from the stakeholder's perspective. The financial analysis showed that strategically providing non-profit developers with land will increase the viability of new projects. As part of the Strathcona County Affordable Housing Incentive Program, it is recommended that the County strategically purchase or dispose of land for the development of affordable housing. This can be done through mixed-use community facilities, the redevelopment or intensification of land or buildings, or the purchase of new lots in developing areas for new affordable housing developments.

It is recommended that the County consider funding a strategic land acquisition program for a pilot period of 4-years. The Housing Affordability Strategy should lay out the targets to determine the total scale and dollar value for the program.

Property tax exemption or reduction program (or grant in lieu)

In addition to the strategic land acquisition program, it is recommended that the County also consider funding of a 4-year pilot of a property tax exemption or reduction program (or grant in lieu) specifically for new builds. This incentive program would be set at the amount, or a percentage of the amount of property taxation, for qualifying properties through construction, and including 4-years following occupancy.

The Housing Affordability Strategy should lay out the targets to determine the total scale of a property tax exemption or reduction program (or grant in lieu). This property tax relief directly following construction can allow for some assistance during the initial establishment of a non-market development as this period can come with unexpected costs and higher interest payments. However, on its own, this incentive will only have a minor impact to housing providers.

Grants

After implementation of the above incentives, should the County find that the goals and targets of their Housing Affordability Strategy have not been met, a capital or operating grant could be considered to bridge the gap. The need for such an incentive will be better known following the completion of the Housing Affordability Strategy and any 4-year pilot programs.

Duration of Affordability

It is recommended that recipients of the Strathcona County Affordable Housing Program be required to enter into a legal agreement with the County committing to the delivery of affordable housing units. Affordable rents/prices and tenure must be provided for a minimum of 50 years or for the lifespan of the building (whichever comes first) as recommended by the stakeholders engaged throughout this process. The County should implement an annual reporting system to ensure accountability of the providers and that the affordable rent/price levels are being maintained.

Appendix A: Policy Context Review

Federal Programs

National Housing Strategy, 2017

The National Housing Strategy (NHS) identifies a vision for housing in Canada:

Canadians have housing that meets their needs and they can afford. Affordable housing is a cornerstone of sustainable, inclusive communities and a Canadian economy where we can prosper and thrive.

The National Housing Strategy also identifies the following housing targets.

- 530,000 households removed from housing need
- 385,000 households protected from losing an affordable home and another 50,000 benefitting from an expansion of community housing
- 300,000 existing housing units repaired and renewed
- 50% reduction in estimated number of chronically homeless shelter users
- 100,000 new housing units created
- 300,000 households provided with affordability through the Canada Housing Benefit

The NHS also includes several funding programs to create new housing supply and to modernize the existing housing supply. These funding programs include the following.

- **Co-Investment Fund:** provides low-cost loans and capital contributions for building new affordable housing, emergency shelters, transitional housing, and supportive housing as well as for repairing and renewing existing affordable housing.
- **Affordable Housing Innovation Fund:** provides funding for unique ideas and innovative building techniques.
- **Rental Construction Financing:** provides low-cost loans encouraging the construction of sustainable rental apartment projects.

- **Federal Lands Initiative:** provides surplus federal lands and buildings used to create affordable, sustainable, accessible, and socially inclusive developments.

As of 2022, $22.12 billion in commitments have been made through the National Housing Strategy to support the creation and repair of 188,494 units and 132,904 units that are currently under construction. The 2022 Federal Budget included some modifications to the NHS, including additional funding and the creation of such programs as the **Housing Acceleration Fund**. The fund will be designed to be flexible to the needs and realities of cities and communities. The fund could include support such as an annual per-door incentive for municipalities, or up-front funding for investments in municipal housing planning and delivery processes that will speed up housing development.

Provincial Legislation

Municipal Government Act, 2000

The Province of Alberta's *Municipal Government Act, 2000* (the MGA), is the guide to how municipalities operate, and is one of the most significant and far-reaching statutes in Alberta. The MGA outlines municipal purposes, powers, and capacity within the province and sets out the roles and responsibilities of municipalities and elected officials.

Recent changes to the MGA have removed the permission of municipalities with a population of 15,000 or more to set, by law, their own subdivision and development permit application decision timelines. All municipalities are mandated to follow the legislated timelines unless alternative timelines are approved by the Minister. The MGA does not currently provide the required permissions for Municipalities to create inclusionary zoning bylaws.

Planning and Development

Part 17 of the MGA includes policies on planning and development within municipalities. Section 618.4(1) states that every statutory plan, land use bylaw and action undertaken by a municipality must be consistent with the land use policies by the Lieutenant Governor.

Statutory Plans

Under Part 17 Planning and Development of the MGA, statutory plans and other municipal plans are outlined in Division 4. The MGA mandates municipalities within defined growth regions to pass a bylaw to adopt intermunicipal development plans. These plans must address the future land use within the area, among other items.

Section 632(1) requires every council of a municipality to adopt a municipal development plan bylaw. The municipal development plan must address the future land use within the municipality; the manner of and the proposals for future development; the coordination of land use, future growth patterns and other infrastructure with adjacent municipalities (if there is not an intermunicipal development plan); the provision of required transportation systems either generally or specifically within the municipality; and the provision of municipal services and facilities. The municipal development plan may also address the coordination of municipal programs related to the physical, social, and economic development of the municipality and any other matter related to the physical, social, or economic development of the municipality. In addition, the municipal development plan may contain statements regarding the municipality's development constraints and goals, objectives, targets, planning policies, and corporate strategies.

Additionally, bylaws to create area structure plans and area redevelopment plans are allowed within this section of the MGA. These plans must describe the sequence of development proposals and land uses for the area and must be consistent with any intermunicipal development plan and municipal development plan. They may also contain other matters, including municipal reserves. Area redevelopment plans allow for the municipality to impose and collect redevelopment levies.

Land Use and Development Permits

Section 640(1) requires every municipality to pass a land use bylaw and states that this bylaw may prohibit or regulate and control the use and development of land and buildings in a municipality. The land use bylaw must divide the municipality into districts and prescribe the uses of land or buildings permitted in the district and establish a method of making decisions on applications for development permits and issuing development permits.

In Section 640(6), the development authority is provided with powers to decide on an application for a development permit, even if the application does not comply with the land use bylaw.

Section 683 of the MGA requires a development permit for any development unless otherwise provided in a land use bylaw. Section 683.1(1) states that the development authority must determine whether the application is completed within 20 days of receiving it.

Development Levies

Section 647(1) allows the municipality to impose a redevelopment levy for a development permit in a redevelopment area if the area redevelopment plan contains proposals for residential, commercial, or industrial development. The redevelopment levy collected must be used to provide land for a park or land for school buildings and/or land for new or expanded recreation facilities in the redevelopment area (s. 647(2)).

A council can also impose an off-site levy (s. 648(1)) by bylaw to pay for the capital cost of any or all the following: new or expanded facilities for water, sewage, storm sewer, roads, or transportation infrastructure. In addition, an off-site levy may be used to pay for the capital costs of new or expanded community recreation, fire halls, police stations, and/or libraries.

As a condition for issuing a development permit, a council (s. 650(1)) may require the applicant to enter into an agreement with the municipality to construct or pay for the construction of a road required to give access to the development; pedestrian walkway; public utility; off-street or other parking and loading facilities; pay an off-site levy or redevelopment levy; and/or give security to ensure that the terms of the agreement are carried out.

Community Revitalization Levies

Section 381.2(1) of the MGA provides council with the ability to pass a community revitalization levy bylaw. This bylaw authorizes council to impose a levy with respect to the incremental assessed value of property in a community revitalization levy area to raise revenue to be used for the payment of infrastructure and other costs associated with the redevelopment of property in the area. In addition, 381.4(1) states that the incremental assessed value of property in a community revitalization levy area shall not be included for the purposes of calculating an equalized assessment or the amount of a requisition for a period of twenty years or a period determined by the Lieutenant Governor which may not exceed forty years. These levies may be utilized as a tax increment financing tool.

Land Dedication and Uses

Division 9, s. 671 (2.1) of the MGA allows for the use of community services reserves to be used by a municipality for any of the following purposes:

- Non-profit senior citizens facility;
- Non-profit special needs facility; and,
- Affordable housing.

Intermunicipal Collaboration

Section 708.28 provides the requirements for the intermunicipal collaborations. These collaborations may be required to provide for the integrated and strategic planning, delivery, and funding of intermunicipal services, steward scare resources efficiently in providing services, and ensure municipalities contribute funding to services that benefit their residents.

Alberta Housing Act, 2000

The Alberta Housing Act was adopted to enable the efficient provision of a basic level of accommodation for people who, due to financial, social, or other circumstances, require assistance to obtain or maintain their housing. The April 20, 2022, office consolidation was used for this review.

Sections 5 and 6 of the Act include policies related to the establishment of housing management bodies and the powers and duties of these management bodies. Section 7 of the Act also provides these management bodies with the ability to requisition funds from municipalities to which the management body provides lodge accommodation.

Sections 17 through 25 of the Act contain policies related to the Alberta Mortgage and Housing Corporation and its powers.

The Act also includes policies on setting standard lodge rates (Section 33.1) annually based on the consumer price index (CPI) as well as ensuring that each member of the senior household who is 65 years or older is left with a monthly disposable income.

Provincial Affordable Housing Strategy, 2017

Alberta's Provincial Affordable Housing Strategy was introduced in June 2017 as a guide to governments for providing safe and suitable affordable housing for households with low incomes. The Strategy has the following vision:

Albertans have access to appropriate housing and related supports.

Affordable housing is defined as government supported housing, which is available for Albertans who, because of financial, social, or other circumstances, cannot afford private market rental rates. Housing is considered affordable when a household spends no more than 30% of its gross income on shelter.

The Strategy has the following five strategic directions and corresponding actions and targets.

1. **Investing now and for the future**

The Provincial government is investing $1.2 billion over five years to build more affordable housing units with a target of 4,100 new and regenerated affordable housing units completed by 2021. In addition, the Strategy identifies a target of maintaining a Facility Condition Index rating of "Good" or "Fair" for more than 95% of government-owned and supported housing stock.

2. **Integrated housing and supports**

The Province aims to increase access to tenant support workers and strengthen relationships among all housing partners. The Strategy identifies a target of 100% of seniors and tenants in affordable housing having access to a tenant support worker by 2021.

3. **Successful transitions and aging in the community**

The Provincial government aims to make transitions through affordable housing easier by increasing the asset limit to $25,000 and providing increased supports for graduates of Housing First. In addition, the Province aims to support seniors to age in their community by investing in renovations to seniors' lodges.

4. **Fair and flexible**

The Province is changing the housing system to make it more flexible, such as introducing mixed-income models which allow tenants the option of staying in their existing home even as their incomes increase. In addition, the Provincial government is exploring options to allow Albertans to apply for affordable housing programs with one application. The target identified for this strategic direction is an increase in the percentage of Albertans in mixed income buildings who believe the model is responsive to their housing requirements as measured through improved data collection.

5. **A sustainable system**

The Province aims to make the housing system more financially sustainable by decreasing operating costs through mixed income models and capital investments, including investments in improving energy efficiency of buildings. The target identified is 100% of new government-owned and supported units in 2020-2021 meet industry standards for environmentally friendly and energy efficient design.

Outcomes have also been identified as part of the Strategy and these are: integrated, housing stability, quality, sustainable, easily navigated, and adaptive.

The Province is continuing to work with partner organizations to gather input on the implementation of the Affordable Housing Strategy.

Stronger Foundations: Alberta's 10-year Strategy to Improve and Expand Affordable Housing, 2021

Stronger Foundations is Alberta's 10-year strategy to improve and expand affordable housing, while building a sustainable system that provides flexible, fair, and inclusive housing options well into the future. It outlines the thoughtful changes needed to provide safe, stable, affordable housing for an additional 25,000 households to increase the total served to 82,000 – an increase of more than 40%.

As of April 2021, more than 110,000 low-income Albertans live in affordable housing and more than 24,000 are on a waitlist. The last figure has doubled in the past decade and action is required now to address the growing demands for safe, affordable housing.

Edmonton Metropolitan Regional Plans

The Edmonton Metropolitan Region (EMR) Board is a board comprised of several municipalities that is established by the Government of Alberta to plan for and manage the growth of the region in a strategic, coordinated, and integrated way that preserves the unique characteristics of each municipality while ensuring the long-term sustainability and prosperity of the region.
EMR Growth Plan, 2017

Edmonton Metropolitan Region's Growth Plan, *Re-imagine. Plan. Build., 2017* (the Growth Plan), provides a comprehensive and integrated policy framework for planning for growth tailored to the regional context. The Growth Plan contains a guiding principle regarding communities and housing that recognizes and celebrates the diversity of communities and aims to promote an excellent quality of life across the region. Objectives within this principle include:

- Plan and develop complete communities within each policy tier to accommodate people's daily needs for living at all ages.
- Plan for and promote a range of housing options.
- Plan for and promote market affordable and non-market housing to address core housing need.

The Growth Plan outlines definitions for affordable housing prices along the housing continuum. It states that affordable market housing prices should be affordable to 100-150% of median household income, affordable non-market housing prices should be affordable to 80-100% of median household income, and subsidized non-market housing should be affordable to 65-80% of median household income.

Strathcona County Plans

Municipal Development Plan, 2017

Strathcona County's Municipal Development Plan, *Forwarding Our Future Together, 2017* (the Plan), sets out the guidelines for orderly growth and development in the county over the next 20 years and beyond. This Plan is required to comply with the policies of the Regional Growth Plan. In accordance with the Edmonton Metropolitan Region Board, the County will continue to responsibly plan for its share of regional growth and maintain effective collaborative working relationships with Federal and Provincial governments and neighbouring Municipalities.

The Plan contains general policy sections along with specific policies for the urban service areas (Section 4) and rural service areas (Section 5) which are related to housing.

Diversifying Housing Stock

The Plan includes several policies to encourage the provision of community and seniors housing, inclusionary housing, and increased housing diversity. The Plan supports the provision of housing diversity for all ages, incomes, and abilities by considering inclusionary housing[58] within a range of Area Structure Plans (Policy 4.3.4.39).

Policies 4.3.4.35-38 ensure the provision of housing diversity for all ages, incomes, and abilities in Sherwood Park by requiring the densification of planned residential areas and balancing housing diversity within neighbourhoods. A diverse mix of uses is required in Bremner through Policy 4.4.4.1.

Residential Intensification

Policies 4.3.2.1-4 ensure compact, mixed-use development within the urban centre policy area of Sherwood Park. This is ensured through intensification and requiring that new developments increase existing dwelling units per net residential hectare.

The Plan promotes conservation design, wherein new development is clustered outside of priority environment areas. Conservation design principles are applied to residential and rural subdivisions under approved Area Structure Plans.

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[58] Inclusion Housing is defined as the provision of dwelling units or land, or money in place of dwelling units or land, for the purpose of community housing.

Complete Communities

Complete communities are promoted through various policies in the urban service area. Policies 4.3.2.8-14 aim to create more compact, mixed-use development in Sherwood Park through requiring higher densities, promoting mixed-use development with no setbacks, and the inclusion of community housing in mixed-income housing.

Additionally, the Plan contains policies that require transit-oriented development concepts (Policy 4.3.2.40) and reducing vehicular parking (Policy 4.3.2.52).

Complete communities are specifically addressed in Section 4.3.3 through several policies that require mixed-use development, support intensification, and support inclusionary housing.

Complete communities are promoted in Bremner in Policies 4.4.1.8-18 by requiring transit-oriented development, housing diversity requirements, and intensification policies.

Affordable Housing

Community housing includes several types of non-market housing, including but not limited to affordable housing, that receive direct capital or operating subsidies from any order of government. These subsidies enable short- or long-term occupancy by a range of lower-income and/or special needs individuals and households.

Community housing is promoted through Policy 4.4.7.7 in Bremner, which encourages community housing, seniors housing, and mixed-use development where synergies are provided between land uses and community needs.

Inclusionary housing is promoted through various policies in the urban centre policy area (Policy 4.3.2.14), compact development policy area (Policy 4.3.3.10), residential policy area (Policy 4.3.4.39), neighbourhood policy area (Policy 4.4.3.5)

Intermunicipal Development Plans

the County has adopted Intermunicipal Development Plans (IDPs) with Beaver Count (*Strathcona County and Beaver County Intermunicipal Development Plan Bylaw 7-2020*) and the Town of Bruderheim (*Town of Bruderheim and Strathcona County Intermunicipal Development Plan Bylaw 8-2020*). However, these IDPs do not deal with residential lands within the County.

Area Concept Plans and Area Structure Plans

The County's Area Concept Plans build upon the objectives and policies of the Municipal Development Plan and provide more specific policy direction for existing and future development within a specific area of the County. Generally, Area Concept Plans provide policy direction for an area that comprises of several sections of land. Area Concept Plans are only required in certain areas of the County.

The County's Area Structure Plans build upon the objectives and policies of the Municipal Development Plan or applicable Area Concept Plan and provide more specific policy direction for existing and future development within a specific area of the County. Generally, Area Structure Plans provide policy direction for an area that comprises of approximately a quarter section of land or a sub area of an Area Concept Plan. Area Structure Plans are only required in certain areas of the County and may or may not fall under an Area Concept Plan.

Strathcona County Land Use Bylaw 6-2015

The County's Land Use Bylaw provides zoning and regulation that is used to implement the objectives and policies of the Municipal Development Plan or applicable Area Concept Plan or Area Structure Plan to regulate the use and development of land and buildings within the County.

Permitted Uses

A summary of the permitted residential uses in each residential zone of the County, as identified in the current Zoning Bylaw, is found in the table below.

Table 21: Permitted uses from Strathcona County Land Use Bylaw 6-2015

Dwelling Type / Use	Zone Permitted *(Discretionary Uses Italicized)*		
	Urban Service Area	Sustainable Urban Villages	Rural Area
Single Detached Dwelling	• Single Detached Residential A (R1A) • Single Detached Residential B (R1B) • Single Detached Residential C (R1C)	• Emerald Hills Urban Village (Area IV) • Salisbury Village (UV4 – Area 5)	• *Agriculture: Future Development (AD)* • Agriculture General (AG) • Rural Residential / Agriculture

Dwelling Type / Use	Zone Permitted *(Discretionary Uses Italicized)*		
	Urban Service Area	**Sustainable Urban Villages**	**Rural Area**
	• Single Detached Residential D (R1D) • Cambrian Single Detached Residential E (R1E) • *Semi-Detached Residential (R2A)* • Low Density Site Residential (R2B) • Lane Specific Residential (R2C) • Hillshire Low Density Residential (HR1) • Hillshire Low to Medium Density Residential (HR2) • Ardrossan Low Density Residential (ALD) • *Low to Medium Density Multiple Residential (R3)* • Cambrian East Mixed Dwelling Residential (R6) • Estate Residential (RE)		• Low Density Country Residential (RCL) • Medium Density Country Residential (RCM) • High Density Country Residential (RCH) • Hamlet (RH) • Small Holdings (RS)
Semi-Detached Dwelling	• Semi-Detached Residential (R2A) • Low Density Site Residential (R2B) • Lane Specific Residential (R2C) • Hillshire Low Density Residential (HR1) • Hillshire Low to Medium Density Residential (HR2) • Ardrossan Low Density Residential (ALD) • Low to Medium Density Multiple Residential (R3) • Cambrian East Mixed Dwelling Residential (R6)	• Emerald Hills Urban Village (Area IV) • Emerald Hills Urban Village (Area V) • Salisbury Village (UV4 – Area 1) • Salisbury Village (UV4 – Area 4) • Salisbury Village (UV4 – Area 5) • Salisbury Village (UV4 – Area 6)	
Duplex Dwelling	• *Semi-Detached Residential (R2A)* • Hillshire Low Density Residential (HR1) • Hillshire Low to Medium Density Residential (HR2) •	• Salisbury Village (UV4 – Area 4)	
Fourplex Dwelling		• Emerald Hills Urban Village (Area IV) • Salisbury Village (UV4 – Area 1) • Salisbury Village (UV4 – Area 4)	

Dwelling Type / Use	Zone Permitted *(Discretionary Uses Italicized)*		
	Urban Service Area	**Sustainable Urban Villages**	**Rural Area**
Multiple Dwelling House	• *Low Density Site Residential (R2B)* • Low to Medium Density Multiple Residential (R3) • Medium Density Multiple Residential (R4) • *High Density Multiple Residential (R5)*		
Townhouse	• *Low Density Site Residential (R2B)* • Low to Medium Density Multiple Residential (R3) • Hillshire Low to Medium Density Residential (HR2) • Medium Density Multiple Residential (R4) • Hillshire Medium Density Residential (HR3) • *High Density Multiple Residential (R5)* • Cambrian East Mixed Dwelling Residential (R6) • Cambrian East Medium Density Residential (R7)	• Emerald Hills Urban Village (Area IV) • Emerald Hills Urban Village (Area V) • Emerald Hills Urban Village (Area VII) • Salisbury Village (UV4 – Area 1) • Salisbury Village (UV4 – Area 4) • Salisbury Village (UV4 – Area 6) • Salisbury Village (UV4 – Area 11)	
Stacked Townhouse	• Medium Density Multiple Residential (R4) • Hillshire Medium Density Residential (HR3) • Cambrian East Medium Density Residential (R7)		
Apartment Dwelling	• Medium Density Multiple Residential (R4) • Hillshire Medium Density Residential (HR3) • High Density Multiple Residential (R5) • Centennial Mixed Use 1 (MU1)	• Emerald Hills Urban Village (Area I) • Emerald Hills Urban Village (Area II) • Emerald Hills Urban Village (Area III) • Emerald Hills Urban Village (Area IV) • Emerald Hills Urban Village (Area V) • Emerald Hills Urban Village (Area VI) • Emerald Hills Urban Village (Area VII) • Centennial Village Zoning District (UV3) • Salisbury Village (UV4 – Area 1) • Salisbury Village (UV4 – Area 4)	

Dwelling Type / Use	Zone Permitted *(Discretionary Uses Italicized)*		
	Urban Service Area	**Sustainable Urban Villages**	**Rural Area**
		• Salisbury Village (UV4 – Area 8A/8B) • Salisbury Village (UV4 – Area 11) • Salisbury Village (UV4 – Area 12)	
Secondary Suite	• Single Detached Residential A (R1A) • Single Detached Residential B (R1B) • Cambrian Single Detached Residential E (R1E) • Hillshire Low Density Residential (HR1) • Hillshire Low to Medium Density Residential (HR2) • Ardrossan Low Density Residential (ALD) • Cambrian East Mixed Dwelling Residential (R6) • Estate Residential (RE)		• *Agriculture: Future Development (AD)* • Agriculture General (AG) • *Rural Residential / Agriculture* • Low Density Country Residential (RCL) • Medium Density Country Residential (RCM) • High Density Country Residential (RCH) • Hamlet (RH) • Small Holdings (RS) •
Garden Suite	• Hillshire Low Density Residential (HR1) • Hillshire Low to Medium Density Residential (HR2) • Ardrossan Low Density Residential (ALD) • Cambrian East Mixed Dwelling Residential (R6) • *Estate Residential (RE)*		• *Agriculture: Future Development (AD)* • Agriculture General (AG) • Rural Residential / Agriculture • Low Density Country Residential (RCL) • *Medium Density Country Residential (RCM)* • *High Density Country Residential (RCH)* • Small Holdings (RS)
Agricultural Dwelling			• *Agriculture General (AG)* • *Rural Residential / Agriculture*
Group Home	• Single Detached Residential A (R1A) • Single Detached Residential B (R1B) • Single Detached Residential C (R1C)	• *Emerald Hills Urban Village (Area II)* • Emerald Hills Urban Village (Area III) • *Emerald Hills Urban Village (Area IV)*	• Agriculture General (AG) • Rural Residential / Agriculture • Low Density Country Residential (RCL)

Dwelling Type / Use	Zone Permitted *(Discretionary Uses Italicized)*		
	Urban Service Area	**Sustainable Urban Villages**	**Rural Area**
	• Single Detached Residential D (R1D) • Cambrian Single Detached Residential E (R1E) • *Semi-Detached Residential (R2A)* • *Low Density Site Residential (R2B)* • Lane Specific Residential (R2C) • *Hillshire Low Density Residential (HR1)* • *Hillshire Low to Medium Density Residential (HR2)* • *Hillshire Medium Density Residential (HR3)* • Ardrossan Low Density Residential (ALD) • Low to Medium Density Multiple Residential (R3) • Medium Density Multiple Residential (R4) • High Density Multiple Residential (R5) • *Cambrian East Mixed Dwelling Residential (R6)* • Estate Residential (RE)	• *Emerald Hills Urban Village (Area V)* • Salisbury Village (UV4 – Area 5)	• Medium Density Country Residential (RCM) • High Density Country Residential (RCH) • Hamlet (RH)
Boarding / Rooming Dwelling	• *Low to Medium Density Multiple Residential (R3)* • *Medium Density Multiple Residential (R4)* • *High Density Multiple Residential (R5)*		
Congregate Housing	• *Hillshire Low to Medium Density Residential (HR2)* • *Medium Density Multiple Residential (R4)* • *Hillshire Medium Density Residential (HR3)* • High Density Multiple Residential (R5) • Centennial Mixed Use 1 (MU1)	• Emerald Hills Urban Village (Area I) • Salisbury Village (UV4 – Area 1) • Salisbury Village (UV4 – Area 12)	• *Agriculture General (AG)*
Temporary Shelter Service	• *Low to Medium Density Multiple Residential (R3)* • *Medium Density Multiple Residential (R4)*		
Modular Dwelling /	• Manufactured Home (RM)		• *Agriculture: Future Development (AD)*

Dwelling Type / Use	Zone Permitted *(Discretionary Uses Italicized)*		
	Urban Service Area	Sustainable Urban Villages	Rural Area
Manufactured Home			
Senior Citizen Housing		• Salisbury Village (UV4 – Area 1) • Salisbury Village (UV4 – Area 4)	

Minimum Unit Size / Floor Areas and Lot Sizes

Parts 7, 8, and 9 of Land Use Bylaw 6-2015 identifies provisions for permitted residential uses for each zone including minimum lot area, minimum lot frontage, minimum yard (front, exterior side, interior side, and rear), minimum dwelling unit area, minimum landscaped open space, and maximum building height. Certain residential uses must also comply with regulations addressing maximum density and maximum number of dwelling units.

Parking Standards

Part 4 of Land Use Bylaw 6-2015 outlines the parking and loading standards for the County. While Section 4.3.1 notes that all parking spaces provided shall be located on the same lot as the use that requires the parking, Section 4.3.2 allows for required parking spaces to be provided on an alternate site, given certain parameters, below outlines the residential parking requirements from Section 4.5.

Table 22: Parking Requirements from Strathcona County Land Use Bylaw 6-2015 Part 4

Use	Minimum Parking Space Requirement
Single Detached Dwelling **Semi-Detached Dwelling** **Manufacture Home**[59] **Duplex Dwelling** **Secondary Dwelling**	Two (2) per dwelling unit
Agricultural Dwelling	One (1) per sleeping unit

[59] Except for in Manufactured Home Park.

Use	Minimum Parking Space Requirement
Apartment Dwelling	One (1) per studio dwelling unit; One (1) per one-bedroom dwelling unit; One and half (1.5) per two-bedroom dwelling unit; Two (2) per three- or more-bedroom dwelling unit; plus, One (1) per 7 dwelling units as designated visitor parking.
Multiple Dwelling **Townhouse Dwelling**	Two (2) per dwelling units; plus, One quarter (0.25) per dwelling unit as designated visitor parking.
Boarding or Lodging House	One (1) per two sleeping rooms
Secondary or Garden Suite	One (1) per suite
Home Business	One (1) per each client, non-resident employee, home business vehicle
Bed and Breakfast	One (1) per two guest rooms
Care Centre	One (1) per two employees plus one (1) per 10 patrons (minimum four (4))
Congregate Housing	One (1) per two employees plus one (1) per two sleeping units (minimum of four (4))
Manufactured Home Park	One (1) per dwelling plus one (1) per four (4) dwellings as designated visitor parking
Residential Sales Centre	Two (2) per sales centre
Residential Security Operator Unit **Show Home**	One (1) per unit One (1) per show home

As per Section Table 4.7 of the Land Use Bylaw 6-2015, there is no requirement for loading spaces for residential and residential related uses in the County.

Additional Residential Units

A ‘garden suite’ is defined the Land Use Bylaw as an accessory use on the same lot as the principal dwelling, which is either a separate one (1) storey building having no garage component, or a suite above an accessory building or to the rear of an accessory building (at grade), or a suite within an accessory building. A garden suite has cooking, food preparation, sleeping and sanitary facilities which are separate from those of the principal dwelling. The ground floor area of a garden suite is applicable to the total accessory ground floor area allowed in the Zoning District. This does not include a manufactured home, manufactured home (singlewide), secondary suite or additional dwelling.

A ’secondary suite’ is defined as an accessory use consisting of one additional self-contained dwelling unit located within a single dwelling. A secondary suite shall not be located in a duplex, semi-detached, multiple, townhouse, agricultural, family care, temporary or apartment dwelling. This does not include boarding/lodging houses.

Part 3.3 of the Land Use Bylaw allows for the creation of accessory buildings within permitted zones. Zoning Districts may further outline regulations for accessory buildings. Part 6.1 applies to all Zoning Districts and outlines permissions for additional dwellings and suites on residential lands. Part 4.5 of the Land Use Bylaw outlines residential parking requirements for lands with residential uses.

Boarding or Lodging Houses

A ‘boarding or lodging house’ is defined in the Land Use Bylaw as a building in which the owner lives and supplies sleeping unit accommodation for remuneration, for not more than ten residents and, which may include meal service. This does not include hotels, motels, hostels, temporary shelter services, congregate housing, or bed and breakfasts

A ‘congregate housing’ dwelling is defined as housing in multiple unit form for semi-independent persons and may provide living and sleeping facilities, meal preparation, laundry services, transportation, counselling and room cleaning. This does not include a major group home, or a minor group home.

Appendix B: Engagement Summary

What We Heard

Several engagement sessions were conducted to engage County staff members, Strathcona County Council Committees and key not-for-profit housing providers that operate in the County to inform the Strathcona County Affordable Housing Incentive Options Report.

County staff were engaged throughout the process including representation from the following departments:

- Planning and Development Services
- Family and Community Services
- Financial and Strategic Services
- Assessment and Taxation
- Legislative and Legal Services

In addition, an engagement session with six (6) housing stakeholders representing five (5) not-for-profit housing providers was conducted on December 7th, 2022. This session supported the County in identifying the potential opportunities and challenges associated with each of the incentive options being explored for inclusion in the Strathcona County Affordable Housing Incentive Program, from their perspectives. During this session, the housing stakeholders were also asked to prioritize the incentive options by ranking them from the most impactful to the least impactful.

Administration also presented information on the incentive options for the Strathcona County Affordable Housing Incentive Program to the Strathcona County Community Living Advisory Committee on November 24, 2022, and to the Seniors Advisory Committee on December 8, 2022. The Advisory Committees were provided an overview of the incentive options and given the opportunity to provide comments and feedback. The Advisory Committees reiterated the need for more diversity and more affordable residential options within the County.

Key Themes

This section outlines the key themes of what we heard during these engagement sessions with key housing stakeholders in the County.

The Strathcona County Affordable Housing Incentive Program should offer incentives to not-for-profit housing providers only, at least in the short-term.

- County staff members indicated that working with not-for-profit partners would create the most efficient Program. Utilizing established partnerships in the not-for-profit sector, the County can ensure savings provided through incentives will be directed to the tenants and homeowners of newly created affordable units.
- Not-for-profit housing providers are typically more familiar with the ongoing reporting practices that would be necessary to operate the Program than developers from the private sector are.
- There is the opportunity to allow private developers who meet the other eligibility criteria for the Program to participate in the future. There is also the opportunity for not-for-profit developers to partner with private developers in the future to develop new affordable housing options using funding from the Program.

Work will need to be conducted to estimate the cost to the County of operate such a Program.

- Each incentive option will impact the County with a range of associated costs. This may include upfront or ongoing funding and administrative costs. The costs associated with each of the incentive options offered should be estimated per unit created to be able to weigh the costs and the benefits of the program.

Incentives offered through the Program should be offered in a consistent manner.

- All eligible proponents of the Program should qualify for the same incentives. Currently co-operative housing groups are not eligible for some current affordable housing benefits offered in the county so this would be required to change for this Program.
- Ongoing annual incentives offered by the Program should be offered consistently in the future.

There is a need for Strathcona County and successful proponents of the Program to engage the public early on and consistently throughout the development process.

- Stakeholders noted the need for the County to assist not-for-profit housing providers in conducting public engagement activities associated with development projects that come about through the injection of funding from the Program.

- County staff and successful proponents of the Program need to work together to avoid NIMBY-sentiments in communities.

Appendix C: Affordable Housing Threshold Methodologies

Four methodologies were explored for use in a Strathcona County Affordable Housing Incentive Program including:

- Edmonton Metropolitan Region Board Definition Approach
- Income Decile Based Approach
- Core Housing Need Income Based Approach
- Market Based Rent/Ownership Approach

Regional Definition Income Approach	Income Decile Based Approach
• Utilizes median incomes in the Edmonton Metropolitan Region to determine affordable and subsidized housing thresholds. [60] [61]	• Utilizes derived income deciles from the applicable region to provide a range of affordability levels.[62]
• Produces threshold below market median rent/ownership prices, which would be appropriate for this program.	• Produces thresholds above market median rent/ownership prices which may not be appropriate for this program.
• Only produces one threshold price for each affordability level (i.e., does not break down affordability by unit size).	• Produces thresholds by unit size.

[60] Edmonton Metropolitan Region Growth Plan from 2020, *Re-Imagine. Plan. Build.* defines subsidized housing as housing that is affordable to households with an income equal to 65-80% of the median household income, affordable housing as 80-100% of median income, and market affordable as 100-150% of median income.
[61] Household median incomes from Statistics Canada Community Profiles, 2021, projected using increase in Alberta CPI from 2020 to 2021.
[62] Projected Target Household Income (2021; Renter Households) has been based on 2020 reported incomes from Statistics Canada and CPI increase from 2020 to 2021.

Market Based Rent/Ownership Approach	Core Housing Need Income Approach
• Utilizes median market rent/ownership prices in the Edmonton Metropolitan Region to determine affordable and subsidized housing thresholds. [63] • Produces thresholds below market median rent/ownership prices, which would be appropriate for this program. • Produces thresholds by unit size.	• Utilizes median income levels for households in core housing need to provide housing for those in most need. • Produces threshold below market median rent/ownership prices, which would be appropriate for this program. • Only produces one threshold price for each affordability level (i.e., does not break down affordability by unit size).

63 The median rent prices were extracted from the *CMHC Rental Market Survey*.

Appendix D: Additional Information on Eliminated Options

Eliminated incentives are those that were explored and deemed infeasible or unsuitable for the County. This section provides more detailed information to describe each of the incentive options which were eliminated from the Program.

Exemption or deferral of off-site levies

Off-site levies are a notable expense for developers. The exemption or deferral of the charges required for an affordable housing development would help to reduce associated costs incurred by the developer which in-turn could result in greater supply of affordable housing and significantly lower average rents and prices. Thus, this incentive allows for the County to allow developers to either be exempt from paying off-site levies all together or allow them to defer payments where offering land to affordable housing providers.

A study focusing on government charges of six Greater Toronto Area municipalities claimed that in five of the municipalities the most significant government charge associated with the development of new homes was off-site levies, which comprised approximately 23% to 45% of the government charges on new home developments.[64] Since 2004, off-site levies increased between 236% and 878% in some of the municipalities studied in the report. Another report highlighted findings from a survey of municipalities including City of Yellowknife, City of Whitehorse, Township of Langley, District of Maple Ridge, City of Richmond, District of Surrey, City of Calgary, City of Edmonton, City of Lethbridge, City of Prince Albert, Town of Kindersley, City of Saskatoon, City of Brandon, City of Winnipeg, West St. Paul, Town of Richmond Hill, City of North York, City of Nepean, Town of Aylmer, Ville de Gatineau, Repentigny, Ville de Bathurst, Town of Bedford, County of Kings, City of Halifax, City of Charlottetown, Town of Summerside, Town of Parkdale, Town of Carbonear, Town of St. Anthony, Town of Bishop's Falls, which stated that besides increasing the prices of new housing, it also contributed to inhibiting

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[64]Building Industry and Land Development Association. Altus Group Economic Consulting (2018). Government Charges and Fees on New Homes in the Greater Toronto Area. Retrieved from: https://bildgta.ca/Assets/Bild/EducationalLibrary/BILD_Report.pdf

development[65]. These off-site levies, if passed on to the household, add to the costs of housing and reduce the amount of income available to pay for other costs of living.[66]

In contrast, the Association of Municipalities of Ontario (AMO) claimed that off-site levies are not a root cause of the affordable housing and supply challenge. Even further to the point, AMO claimed that changes that reduced off-site levies had never resulted in reduced housing prices. It stated that a reduction in off-site levy collections will increase the cost of public services for all residents which will increase pressure from taxpayers to constrain growth and to constrain demands on the already stretched property tax dollar. Furthermore, reports also suggest that cutting off-site levies would simply increase profits to sellers or developers while creating gaps in the capacity of local government to finance needed infrastructure.[67]

Another study argued that off-site levies are necessary because current taxpayers cannot be expected to foot the bill today for benefits that (mostly) other people will enjoy in the future. It countered the claim that off-site levies increase housing costs by arguing that there is effectively a trade-off between optimizing the level of service provision and housing affordability. The purchaser of a house is buying not just the house but also a bundle of municipal services. In effect, homebuyers will get what they pay for. In the absence of off-site levies, the level of municipal services will be suboptimal.

The Alberta *Municipal Government Act* grants the authority to Municipalities to charge an off-site levy in respect of land that is to be developed or subdivided. The off-site levy[68] are collected funds to help with the cost of off-site infrastructure, such as Water, Wastewater, Roads, Recreation, Fire and Police Services, and Libraries.[69] Alberta and several other Canadian Provinces enable Municipalities to apply levies in acknowledgement that the costs of growth are significant for Municipalities, and place constraints on the use of existing revenue sources.

Research suggests that the most significant government-imposed charge on low rise development in the City of Calgary are off-site levies.[70] For high-rise development, the GST is

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[65] Enid Slack (1994), Development Charges in Canadian Municipalities: Analysis. Retrieved from: https://www.muniscope.ca/resource/dm/135073934047846303.pdf?n=file_development_charges_001a.pdf&inline=yes

[66] Building Industry and Land Development Association. Altus Group Economic Consulting (2018). Government Charges and Fees on New Homes in the Greater Toronto Area. Retrieved from: https://bildgta.ca/Assets/Bild/EducationalLibrary/BILD_Report.pdf

[67] Union of BC Municipalities (2018). A Home for Everyone: A Housing Strategy For British Columbians. Retrieved from: https://www.ubcm.ca/sites/default/files/2021-08/UBCM%20Housing%20Strategy.pdf

[68] Off-Site Levies / Development Charges - White Paper. Retrieved from: https://pub-edmonton.escribemeetings.com/filestream.ashx?DocumentId=4675

[69] BILD (2019). Comparison of Government Charges on New Homes in Major Canadian and US Metro Areas. Retrieved from: https://bildgta.ca/Assets/Bild/FINAL%20-%20BILD%20-%20Comparison%20of%20Government%20Charges%20in%20Canada%20and%20US%20-%20Sept%2013%202019.pdf

[70] BILD (2019). Comparison of Government Charges on New Homes in Major Canadian and US Metro Areas. Retrieved from: https://bildgta.ca/Assets/Bild/FINAL%20-%20BILD%20-

the most significant charge, CMHC Mortgage Insurance the second and off-site levies the third highest charge imposed on new high-rise developments.[71]

Advantages	Challenges
• Lowers costs for affordable housing developers • If the incentive is also offered to private developers, this incentive acts as a motivator to private developers to develop affordable housing	• Exemptions result in costs having to be picked up by other parties (i.e., County or other developers.) Allocating costs to non-benefiting parties can result in legal challenges • The timeframe from levy payment to affordable housing units being available may be several years • Municipal governments often require these fees and charges to balance budgets • Without effective policy regulations, it is difficult to ensure that cost savings are translated into affordable housing • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning

Permitting Legislation

Municipal Government Act, ss. 648, 647(1), 650 (1)(e)

%20Comparison%20of%20Government%20Charges%20in%20Canada%20and%20US%20-%20Sept%2013%202019.pdf

[71] BILD (2019). Comparison of Government Charges on New Homes in Major Canadian and US Metro Areas. Retrieved from: https://bildgta.ca/Assets/Bild/FINAL%20-%20BILD%20-%20Comparison%20of%20Government%20Charges%20in%20Canada%20and%20US%20-%20Sept%2013%202019.pdf

Implementing the Option

According to the *Municipal Government Act*, the Council may require an applicant (i.e., developer of affordable housing) to sign an agreement with the Municipality to pay an off-site or redevelopment levy imposed by the land use bylaw. This suggests that the County may place a condition in the land use bylaw that suggests the levies be exempted or deferred for affordable housing providers who meet established criteria to implement the incentive if they are to develop affordable housing. To consider exemption, deferral, or reduction of the levies, there should be clear parameters established regarding when this could be applied and how many affordable units would be required.

Case Studies

British Columbia

In British Columbia, Development Cost Charges (DCC) are imposed under the Local Government Act, "to assist local governments in paying the capital costs of installing certain local government services, the installation of which is directly or indirectly affected by the development of lands and/or the alteration/extension of buildings". The legislation allows for the exemption of several uses or types of development from DCCs. In order to encourage rental housing construction, the Province has included provisions permitting a Municipality to either exempt or reduce the development cost charges levied on not-for-profit rental housing and for-profit affordable housing, among others.[72]

While Vancouver, Vernon, and Nanaimo have chosen to waive development cost charges for not-for-profit projects altogether, other municipalities, like Kelowna, Richmond, and Surrey, provide a grant to the project from their Housing Reserve Funds to offset development cost charges and permit fees charged to the project. In this way, the Municipality still extracts the exact costs from all developers, and affordable housing projects receive a grant to offset the costs.[73]

Research suggests that a significant portion of a project's soft costs can be saved by waiving or offsetting development cost charges and municipal permit fees. For example, a development cost charge waiver on a 100-unit affordable rental project in Vancouver provides almost $2

[72] Mia Baumeister (2012). Development Charges across Canada: An Underutilized Growth Management Tool?. Retrieved from: https://munkschool.utoronto.ca/imfg/uploads/201/imfg_no.9_online_june25.pdf
[73] Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo (2022). Who Does What Series - The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/

million in cost savings. If rezoning, development permit, and building permit fees are waived for the same project, this would save the project an additional $275,000[74].

The legislation in British Columbia requires the Municipality to use development cost charge revenue only for approved services and adopt a development cost charge bylaw reviewed and approved by the Provincial Inspector of Municipalities. Moreover, the Local Government Act states that a municipality must consider if its development cost charges, “(1) are excessive in relation to the capital costs of prevailing standards or services, (2) will deter development, (3) will discourage the construction of reasonably priced serviced land, or (4) will discourage development designed to result in a low environmental impact”. While this is not a requirement, British Columbia’s Development Cost Charge Best Practices Guide also suggests that Municipalities ensure that there is a clear link between the development cost charge bylaw and other Municipal policies such as Official Community Plans, which direct land use policies, and Financial Plans, which provide a framework for future infrastructure projects[75]. Flexibility within the act also allows municipalities to decide whether charges will be levied on a uniform or area-specific basis, when charges will be collected, and how DCCs will vary (e.g., on a density gradient or per-unit basis).[76]

City of Ottawa, Ontario

Ottawa offers exemptions from development charges to charitable or not-for-profit developers that are constructing new, affordable rental housing. To qualify for this development charge exemption, the City requires developers to present evidence of their non-profit or charity status.[77] The City's development charges by-law extends the exemption to:

> “A residential use building erected and owned by non-profit housing, provided that satisfactory evidence is provided to the Treasurer that the residential use building is intended for persons of low or modest incomes and that the dwelling units are being made available at values that are initially and will continue to be below current market levels in the city”.[78]

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[74]Carolyn Whitzman, Alexandra Flynn, Penny Gurstein, and Craig Jones Lilian Chau and Jill Atkey Greg Suttor Nick Falvo (2022). Who Does What Series - The Municipal Role in Housing. Retrieved from: https://munkschool.utoronto.ca/imfg/report/the-municipal-role-in-housing/

[75] Government of British Columbia. Development Charge Best Practices. Retrieved from: https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/local-governments/finance/dcc_best_practice_guide_2005.pdf

[76]Mia Baumeister (2012). Development Charges across Canada: An Underutilized Growth Management Tool?. Retrieved from: xhttps://munkschool.utoronto.ca/imfg/uploads/201/imfg_no.9_online_june25.pdf

[77] HEMSON Consulting Ltd. (2021). Waiving of Fees and Charges for Affordable Housing Development. Accessed from: https://pub-bluemountains.escribemeetings.com/filestream.ashx?DocumentId=3518

[78] City of Ottawa. BY-LAW NO. 2019 – 156. Accessed from: https://documents.ottawa.ca/sites/documents/files/dev_charges_2019_bylaw_en_.pdf

Furthering this commitment, the City's 2022 Budget declared that it would spend $17 million to build more supportive and affordable housing, including $15 million in capital expenditures and $2 million in development fee exemptions for residents in the greatest need.[79]

City of Toronto, Ontario

The Open-Door Affordable Housing Program of the City of Toronto offers several incentives, including the elimination of development fees as well as planning, building, and property tax payments.[80] The Open-Door Program was originally established in 2016 to increase the City's capacity to collaborate with the non-profit and private housing sectors to develop affordable homes at a faster pace. Since 2017, there has been an annual Call for Applications. Its purpose is to aid the city in attaining the objectives of its Housing TO 2020-2030 Action Plan. The Action Plan calls for the approval of 40,000 new affordable rental dwellings and 4,000 new affordable ownership homes by 2030.

The results of the 2021 Open Door Affordable Rental Housing Call for Applications were unanimously approved by Toronto City Council in June 2022. A total of 17 affordable rental housing projects have been approved, representing approximately 920 affordable rental dwellings.[81] The Open-Door program incentives and capital grants resulting from the 2021 request have a combined value of more than $75 million. Terms of the program require the homes to be affordable for a minimum period of 40 years, and in many cases the recommended projects will deliver affordable rental homes.[82]

York Region, Ontario

The development charges deferral for purpose-built rental buildings policy was established in York Region in 2017 to incentivize the development of purpose-built rental housing that is a minimum of four storeys above grade. It aims to help address housing needs throughout York Region by contributing to the increased affordable purpose-built rental supply in the region and providing communities with more housing options.

The deferral program targets units that are affordable to the mid-range income cohort (household incomes that fall between the fourth and sixth deciles of income distribution for York Region) with average rents that are less than or equal to 175% of Average Market Rent for private apartments, by bedroom type. It applies to purpose-built rental tenure only and units

[79] City of Ottawa (2021). Council approves the City's 2022 budget, with focus on affordability. Accessed from: https://ottawa.ca/en/news/council-approves-citys-2022-budget-focus-affordability-0
[80] HEMSON Consulting Ltd. (2021). Waiving of Fees and Charges for Affordable Housing Development. Accessed from: https://pub-bluemountains.escribemeetings.com/filestream.ashx?DocumentId=3518
[81] City of Toronto (2022). Toronto City Council unanimously approves 920 new affordable rental homes in Toronto through the Open-Door program. Accessed from: https://www.toronto.ca/news/toronto-city-council-unanimously-approves-920-new-affordable-rental-homes-in-toronto-through-the-open-door-program/
[82] City of Toronto (2022). City of Toronto Open Door affordable housing program helps create 919 new affordable homes. Accessed from: https://www.toronto.ca/news/city-of-toronto-open-door-affordable-housing-program-helps-create-919-new-affordable-homes/

must remain as rental housing for a minimum of 20 years. The length of the deferral would vary based on the location, size and affordability of the development.

Any developer wishing to defer development charges for affordable, purpose-built rental buildings must enter into a development charges deferral agreement with the Region. A development charges deferral agreement will only be executed by the Region provided that the developer can immediately, upon execution of the agreement, attain building permit issuance by the local Municipality. The deferrals under this policy are available to a maximum of 1,500 units over a three-year period, commencing immediately after Council originally approved this policy, on October 17, 2019. It is available on a first come, first served basis.

Tax increment equivalent grant or tax increment financing (TIEG or TIF)

Washington, DC and every state except for Arizona has some form of tax increment financing (TIF) program[83]. Some states use different terminology, for example, Georgia's 'Tax Allocation Districts'.[7] Many state and local laws ensure that a minimum percentage of TIF generated funds are used to build or preserve affordable housing.[23] The Maine State Housing Authority's Affordable Housing Tax Increment Financing program sets out key eligibility requirements for residential development within TIF districts to ensure housing goes to families with low incomes, that rental units remain affordable for at least 30 years, and owner-occupied units are affordable for at least 10 years.[24]

In Canada, the use of TIF is limited. Research suggests that only Alberta and Manitoba have TIF enabling legislation and experience with using TIF to meet economic development objectives. Ontario introduced TIF legislation in 2006 and TIEG are frequently used in Ontario to incentivize the redevelopment of under-utilized or contaminated properties.[84] Experience in the US and Canada provide evidence that TIF could be an effective tool to spur economic development and housing projects in high-cost cities.[85]

[83] County Health Rankings and Roadmaps (2022). Tax increment financing (TIF) for affordable housing. Retrieved from: https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/tax-increment-financing-tif-for-affordable-housing
[84]Region of Peel (2019). Financial Assessment and Business Case for an Affordable Housing Pilot Program. Retrieved from: https://www.peelregion.ca/housing/development/affordable-housing-incentives/_media/financial-assessment-business-case.pdf
[85] Darrin Cohen (2022): Using tax increment financing to develop affordable housing in Toronto. Toronto Metropolitan University. Thesis. https://doi.org/10.32920/19027607.v1. Retrieved from: https://rshare.library.ryerson.ca/articles/thesis/Using_tax_increment_financing_to_develop_affordable_housing_in_Toronto/19027607

TIF is a suggested strategy to increase access to quality affordable housing. Available evidence indicates that TIF districts may contribute to increased economic development, property values[86], and tax revenue.[87] Successful TIF projects develop clear goals, maintain transparency, report uses of TIF funds, and document progress on projects. In addition to increased affordable housing supply, TIF projects may include goals such as increased neighborhood development, economic growth, or employment opportunities.

TIF is used to help finance investment, generally for 20 to 25 years, in a targeted geographical area designated as a project area. At the establishment of a project area, the current local property tax revenue from the land and structures within the project area becomes the “base” amount of property tax revenue. As economic development occurs in the project area, property values rise, and property tax revenues increase. The incremental increase in property taxes above the “base” amount provides the funding for redevelopment. The tax increment funds often finance a Redevelopment agency bond for infrastructure development—roads, sidewalk, utilities, sewer, etc.—or the funds can be used to pay for land and construction of affordable housing within the Redevelopment agencies.[88]

A longer-term TIEG that offers higher increment credits throughout the term would be more impactful. From the perspective of a Municipality, a TIEG is likely preferred over a property tax exemption, as the Municipality will continue to collect a portion of the property tax throughout the program. However, the costs of a TIEG program could include a significant administrative component as the Municipality has to verify the property valuation and calculate the grant amount each year and ensure the program is adequately funded. The Municipality must also anticipate future assessment increases that they will be required to offset.[89]

Advantages	Challenges
• Available evidence indicates that TIF districts may contribute to increased economic development, property values, and tax revenue	• May be more costly than other types of financing. TIF also relies on revenue from a limited geographic area. TIF requires an increase in assessed value which is not always

[86]County Health Rankings and Roadmaps (2022). Tax increment financing (TIF) for affordable housing. Retrieved from: https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/tax-increment-financing-tif-for-affordable-housing#footnote_5
[87] County Health Rankings and Roadmaps (2022). Tax increment financing (TIF) for affordable housing. Retrieved from:https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/tax-increment-financing-tif-for-affordable-housing#footnote_1
[88] James Wood, Dejan Eskic, DJ Benway, Kathryn Macdonald-Poelman (2020).Housing Affordability: What Are Best Practices and Why Are They Important? Retrieved from:https://gardner.utah.edu/wp-content/uploads/Best-Practices-Dec2020.pdf
[89] Region of Peel (2019). Financial Assessment and Business Case for an Affordable Housing Pilot Program. Retrieved from: https://www.peelregion.ca/housing/development/affordable-housing-incentives/_media/financial-assessment-business-case.pdf

Advantages	Challenges
• Offers a strategy to "self-finance" a redevelopment project without having to raise or impose new taxes • Once the TIF expires, the County will receive the full benefit of the property taxes on a much higher property tax base than would otherwise be present • Can be an additional revenue stream to meet a community's housing needs	guaranteed. This makes a TIF bond riskier than other bond types, resulting in a higher interest rate and more total interest paid. • There are high issuance costs, including feasibility studies, outside financial audits, and extra-legal fees associated • Requires careful monitoring to ensure there are no unintended negative effects on other programs or the County's ability to meet growing demands on public services. This may require additional resource allocation and planning

Permitting Legislation

Municipal Government Act, 381.2(1)

Implementing the Option

To implement the Tax Increment Financing incentive, the County would have to pass a community revitalization levy by-law. According to *Municipal Government Act*, 381.2(1) council may pass a community revitalization levy bylaw which authorizes the council to impose a levy with respect to the incremental assessed value of property in a community revitalization levy area to raise revenue to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the community revitalization levy area. A community revitalization levy bylaw, or any amendment to it must be approved by the Minister to come into effect. Prior to passing the bylaw, a study would be required to demonstrate the need for the TIEG or TIF, to determine the area within the County to which the incentive would be applied, and to identify the eligibility requirements and the application, review, and monitoring process.

Case Studies

Affordable Housing Community Improvement Plan - City of Sudbury, Ontario

The purpose of the City of Sudbury Affordable Housing Community Improvement Plan is to assist in the development of affordable housing by providing incentive-based programs which encourage the creation of affordable housing units.[90] The principal goal of the CIP is to create a mix of affordable housing options and increase the inventory of available affordable housing units. The specific goal of the CIP includes increasing the number of affordable housing units in the City, create a mix of unit types, including those suitable for seniors. It aims to grow the Municipal assessment base and grow municipal property tax revenue. Furthermore, it aims to enhance and intensify the existing urban fabric with compatible projects; and take advantage of existing municipal services and infrastructure. TIEG is one of the financial incentive programs administered through the CIP. This incentive provides a grant that is equivalent to the incremental increase in municipal property tax assessment and revenue resulting from property improvements. The maximum number of years that any individual application can benefit from is five years. In years one through three, the grant to the property owner or tenant is equal to 100% of the tax increment. In years four through five, the grant decreases to 50% of the tax increment. The grant is not applicable after five years.[91]

Affordable Housing Tax Increment Based Grant Program – Peterborough, Ontario

The Peterborough Affordable Housing Community Improvement Plan (CIP) was instated as a tool to stimulate the development of affordable housing opportunities in the City of Peterborough. The Affordable Housing CIP encourages investment in the provision of affordable housing opportunities by providing for financial incentives that may be applied to eligible properties.

Peterborough Affordable Housing CIP includes an Affordable Housing Tax Increment Based Grant Program. The intent of this program is to stimulate the rehabilitation or renovation of existing buildings, the redevelopment of previously developed sites that are now vacant, or under-utilized sites that results in the creation of affordable housing units. Like other tax incentive programs, there is no 'cost' to the City to be proactive. The sites and/or buildings sit underutilized today and make a tax contribution that reflects their depressed value. Without any incentive to invest, the situation would be unlikely to change. While the Municipality forgoes the tax increases of redeveloped property in the short term, the investment spawns economic activity, produces much needed housing, revitalizes building stock and neighbourhoods and eventually contributes to a higher level of taxation. The program provides a grant to property owners who undertake the rehabilitation of their properties that would result in a reassessment of their properties. The amount of the grant would be determined based upon the incremental increase in the municipal taxes that result from the work being completed. The grant amount for a program shall not exceed 100% of the increase in the Municipal portion of the taxes in years one to five of the program, decreasing to 80% in year six, 60% in year seven, 40% in year eight, 20% in year nine and with the owner paying the full amount of taxes in year ten. This program is only applicable to "affordable" housing projects within the Community Improvement Project area.

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[90] The Town of The Blue Mountains. Community Improvement Plan Project. Retrieved from: https://archive.thebluemountains.ca/document_viewer.cfm?doc=2780
[91] https://archive.thebluemountains.ca/document_viewer.cfm?doc=2780

Tax Increment Based (or Equivalent) Grant Program – Guelph, Ontario

The City of Guelph Brownfield Redevelopment Community Improvement Plan (CIP) was approved by the Ontario Ministry of Municipal Affairs and Housing in March of 2004. The financial incentive programs contained in the CIP were drawn from the City of Guelph's Brownfield Strategy which was adopted by Council in May of 2002. These incentive programs were designed to stimulate private sector investment in the reuse and redevelopment of brownfield sites.

One incentive tool used in the CIP is the Tax Increment-Based (or Equivalent) Grant. The purpose of this grant program is to attract private-sector investment and stimulate development in targeted areas of the City of Guelph. The amount of the grant is based on the difference between property taxes collected on a property before development and the estimated taxes that will be collected after development. They are reconfirmed against actual taxes before any grant monies are paid. Guelph's tax increment-based grant for brownfields pays property owners 80% of the tax increment, in installments, over a maximum of 10 years. The remaining 20% of the tax increment is used to fund other Brownfield CIP related programs.

The tax increment-based grant helps to achieve Guelph's community improvement goals of reducing the number of contaminated sites, maintaining more heritage buildings and renewing Guelph's downtown. They also contribute to the growth of the City's assessment base by attracting real private sector projects.

Density bonusing

There are several ways to structure a density bonus, and municipalities need to determine which is most compatible with existing development regulations. Depending on how the policy is structured, the additional density may be used to build "up" or "out"—that is, to add more floors to a multifamily building or additional structures to a planned development.[92] Many jurisdictions calculate the increase as a multiple of the floor area ratio (FAR)—that is, the ratio of the total usable floor area of buildings on a site to the total area of the lot. Other options can include:

- Permitting a larger number of units in a building or development site
- Providing a bonus height allowance or exemption from height restrictions that allows for construction of additional stories
- Reducing the amount of open space required on a development site

[92] Local Housing Solution. Density Bonuses. Retrieved from:https://localhousingsolutions.org/housing-policy-library/density-bonuses/

This allowance may vary based on the proposed level of affordability and share of units to be set aside as affordable (typically, projects that provide deeper affordability and/or a larger share of affordable units receive greater density bonuses), the location of the development (e.g., whether it is near public transit or located in an area targeted for redevelopment), and other variables of local importance[93].

Advantages	Challenges
• Contributes to efficient land use by reducing development footprints by accommodating additional residential uses on a site • The additional market units cover the lost revenues associated with the affordable units	• This tool works best in intensively developed areas where additional revenue generating space can be offered • Must also consider if additional density represents good planning and if the additional density can be supported by existing infrastructure • Higher densities may result in public opposition

Permitting Legislation

Municipal Government Act, s. 640(6)

Implementing the Option

According to the *Municipal Government Act*, s. 640(6), a land use bylaw may authorize a development authority to decide on an application for a development permit even though the proposed development does not comply with the land use bylaw or is a non-conforming building if, in the opinion of the development authority, the proposed development would not unduly interfere with the amenities of the neighbourhood, or materially interfere with or affect the use, enjoyment or value of neighbouring parcels of land, and the proposed development conforms with the use prescribed for that land or building in the land use bylaw. This indicates that the development authority can approve higher density if the development complies with the requirements, but a negotiation with the developer may be required to establish an agreement to provide the community benefits.

[93] Local Housing Solution. Density Bonuses. Retrieved from:https://localhousingsolutions.org/housing-policy-library/density-bonuses/

Case Studies

Calgary, Alberta

Density bonusing has been in use in Calgary for decades. Density bonus policies in the Downtown and the Beltline have provided publicly accessible open spaces, public art, enhanced pedestrian areas and the preservation of heritage buildings. These policies have been successful in protecting heritage resources in Calgary, but only in areas with sufficiently high density.[94]

Toronto, Ontario

The City of Toronto has used density increases, starting in 2000 when it implemented a framework which provides a "facilities-first" approach whereby units can be provided as affordable housing or the developer has the option of providing cash-in-lieu of affordable housing. The City of Toronto has developed its own set of guidelines for the implementation of density bonusing, as well as a protocol for negotiating the community benefits. The City of Toronto has also used section 37 of the Planning Act to achieve affordable housing. The City's official plan authorizes the use of section 37, subject to certain provisions, including a requirement that the community benefits obtained must bear a reasonable planning relationship to the increase in the height and/or density of a proposed development. Affordable housing is specifically identified in the City's official plan as a potential community benefit that may be achieved through section 37, and, subject to other relevant policies, as the first priority community benefit when height and/or density increases are sought in relation to large residential developments.[95] Density bonusing policy has been recently replaced by Inclusionary Zoning policies in Toronto and other Ontario municipalities.

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[94] Overview of Municipal Density Bonusing Policies. Retrieved from: https://pub-calgary.escribemeetings.com/filestream.ashx?DocumentId=138264

[95] SHS Consulting. City of Kawartha Lakes and County of Haliburton Affordable Housing Framework. Retrieved from: https://pub-kawarthalakes.escribemeetings.com/filestream.ashx?DocumentId=7863