

Innovative Housing Incentives – Policy Amendment for Incremental Tax Abatements

ISSUE

This report is proposing amendments to the Innovative Housing Incentives Policy C09-002 to allow for a five-year incremental tax abatement for mixed-income affordable housing developments. The amendment would use a pro-rated formula based on the number of affordable units in the project.

RECOMMENDATION

1. That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that Policy No. C09-002, Innovative Incentives Policy, be amended as indicated in this report to provide incremental tax abatements for the affordable portion of mixed market rental housing projects.
2. That projects previously approved for capital grants but denied the 5-year incremental tax abatement, as outlined in this report, be approved on a pro-rated basis, based on the number of affordable units within the project.

BACKGROUND

Innovative Housing Incentive Policy C09-002 does not allow for the approval of a five-year incremental tax abatement for mixed-market affordable housing projects. The current policy only allows for projects that are entirely affordable rental to qualify for the tax abatement. The following mixed-income projects that were approved for a capital grant, were denied a five-year incremental tax abatement.

At the Standing Policy Committee on Planning, Development and Community Services on June 11, 2019, the National Affordable Housing Corporation (NAHC) was approved for 10% funding of the capital development cost for affordable rental units at 107 Thode Avenue, estimate at \$289,722. This project was later reduced to six affordable rental units and a grant of \$122,264.

At the May 11, 2020 meeting of the Standing Policy Committee on Planning, Development and Community Services, Petrichor Developments was approved for 10% funding of the total capital cost for the construction of seven affordable rental units at 110 - 110th Street, estimated at \$125,280.

At the Standing Policy Committee on Planning, Development and Community Services on September 14, 2020, funding was approved for 7% of the total capital cost for construction of 30 affordable rental units. The funding amount was estimated at \$339,574, for projects located at 3002 and 3012 Louise Avenue and developed by K.C. Charities. Funding was also approved for a 7% grant of the total capital cost of the

construction of 15 affordable rental units at 412 Avenue P South developed by Central Urban Métis Federation Inc. The funding amount for this project was estimated at \$178,437.49. This project has since been reduced to 14 affordable units.

DISCUSSION/ANALYSIS

The National Housing Strategy is Prioritizing Mixed-Market Affordable Rental Developments

The federal government's National Housing Strategy is prioritizing mixed-market affordable rental housing projects, wherein affordable rental units are mixed with market rentals. Mixed-market housing projects allow for inclusion of different income levels, within a housing development. These projects have had positive impacts on improving housing conditions, reducing social and economic stigma associated with affordable housing, increasing community diversity and cultivating social inclusion.

A Policy Change is required to Allow for Incremental Tax Abatements for Mixed-Market Rental Developments

Many projects under the 10% capital grant program are also funded by senior levels of government, including the Canada Mortgage and Housing Corporation and the Saskatchewan Housing Corporation. However, several projects would not be viable without the City's support. With increased prioritization of mixed-market rental through the National Housing Strategy, Administration is recommending a policy change to allow for mixed-market rental developments to receive a five-year tax abatement, on a pro-rated basis, based on the number of affordable units in the project.

Proposed Pro-rated Formula

The proposed change would see mixed-market developments pro-rated by the percentage of project units that are affordable. The pro-rated calculation will use the ratio of affordable units to the overall development of the project. For example, a development with 10 affordable units in a 50-unit project will result in the application being approved for a five-year incremental abatement equal to 20% (10 units/50 units) of the incremental tax increase over five years. Projects containing all affordable units will remain eligible for the full five-year incremental tax abatement. Commercial space will not be eligible for a property tax abatement.

Previously Approved Projects

If the change to the existing policy is approved, Administration is further recommending four projects, not previously eligible to receive a five-year incremental tax abatement under existing policy, be approved under the new pro-rated formula. These projects are being recommended due to the recency of the projects and that all projects are yet to be completed and will be ready for occupancy in 2021.

- 1) 412 Avenue P South by CUMFI – 14 Affordable Units/27 Total Units = 51.85% pro-rated value on the incremental tax increase.
- 2) 3002 – 3012 Louise Street by KC Charities – 30 Affordable Units /51 Total units = 58.88% pro-rated value on the incremental tax increase.
- 3) 110 – 110th Street West by Petrichor Developments – 7 Affordable Units/12 Total units = 58.33% pro-rated value on the incremental tax increase.

- 4) 107 Thode Avenue by NAHC – 6 Affordable Units/72 Total units = 0.083% pro-rated value on the incremental tax increase.

FINANCIAL IMPLICATIONS

Based on the new pro-rated formula, the projects would qualify for the following 5-year incremental tax abatement (resulting in forgone revenue) which includes the City, Library and Education tax portions:

Project Provider	City Tax	Library Tax	Education Tax	1 Year Total	5 Year Total
CUMFI	\$5,043.77	\$519.87	\$3,148.44	\$8,712.08	\$43,560.40
K.C. Charities	\$9,969.25	\$1,027.56	\$6,223.04	\$17,219.85	\$86,099.25
Petrichor Developments	\$4,331.23	\$446.43	\$2,703.66	\$7,481.31	\$37,406.55
NAHC	\$4,245.91	\$437.64	\$2,650.40	\$7,333.94	\$36,669.70

NEXT STEPS

1. NAHC's project is currently in building inspections and is expected to be ready for occupancy in early 2021.
2. K.C. Charities' project is scheduled to be completed and ready for occupancy by December 2021.
3. CUMFI's project is scheduled to be completed and ready for occupancy by October 2021.
4. Petrichor Developments project is scheduled to be completed and ready for occupancy by July 2021.

APPENDICES

1. Proposed Amendments to Innovative Housing Incentives Policy No. C09-002

REPORT APPROVAL

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