

Housing Accelerator Fund – Incentives

ISSUE

This report provides information on the proposed incentive programs to be offered using funding from the Housing Accelerator Fund program.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that the proposed approach for incentives funded by the Housing Accelerator Fund, outlined in this report, be approved.

BACKGROUND

The Housing Accelerator Fund (HAF) is a federal funding program from the Government of Canada, which supports local governments in boosting housing supply. The HAF is intended to drive transformational change within the control of local governments, regarding land use planning and development approvals, to support the development of more housing options.

City Council, at its Regular Business [meeting](#) held on May 31, 2023, and at its Regular Business [meeting](#) held on November 22, 2023, approved the Housing Action Plan for the City of Saskatoon's (City) application to the HAF. The Housing Action Plan outlines initiatives intended to create more housing supply at an accelerated pace and enhance certainty in the approvals and building process.

The Standing Policy Committee on Planning, Development and Community Services, at its Regular Business [meeting](#) held on March 6, 2024, considered a report titled "Housing Accelerator Fund Budget Adjustments". The report outlined the proposed funding allocation for the HAF funds including much of the funding being allocated to incentive programs.

The Standing Policy Committee on Finance, at its Regular Business [meeting](#) held on March 6, 2024, considered a report titled "Housing Accelerator Fund – Development of City-Owned Land". This report provided four options for consideration for the sale or lease of City-owned lands which could be used to develop affordable housing projects.

DISCUSSION/ANALYSIS

Overview of Proposed Initiatives

The total available funding for Saskatoon through the HAF is \$41.325M

Administration is proposing the majority of the HAF funding (approximately \$35M) be allocated to incentive programs, which include:

- Funding to support new affordable housing units through [Council Policy C09-002, Innovative Housing Incentives Policy](#) (Housing Incentives Policy);
- Funding to support multiple unit dwellings in priority growth areas; and
- Funding to support housing development on City-owned land.

HAF incentives will only be available during the term of the program from 2024 until 2027. As the HAF funding is allocated on a yearly basis and is dependent on the City meeting the commitments in the HAF agreement, incentives will be allocated on a yearly basis through a Call for Proposals process. Successful projects will be determined based on the evaluation criteria and not all projects may receive funding as the yearly available funding may be fully allocated, at which time no further incentives will be available.

Successful projects will be eligible to access other funding programs, including those provided by other levels of government, provided there are no restrictions on the related funding program.

A Phase 1 [Housing Needs Assessment](#) was completed in spring 2023, as a direct response to the HAF application requirements. It identified affordable housing as a gap in Saskatoon's housing supply. According to the [CMHC Rental Market Report – January 2024](#):

- The purpose-built rental apartment vacancy rate fell from 3.4% in 2022 to 2% in 2023. In the North, Northeast and Southeast zones of the city, the vacancy rates fell below 1%.
- Rent costs increased 9% from October 2022 to October 2023, with the average two-bedroom rent being \$1,360.
- Available units for low-income families remain scarce, with only 5% of rental stock being affordable to families in the lowest income quartile.

As such, affordable rental housing, including affordable housing units within mixed-market developments will be prioritized for the initial Call for Proposal, as well as a potential second Call. Incentives for rental housing in priority growth areas may be offered pending funding availability in later rounds. Administration will evaluate the incentive programs and available HAF funding annually to ensure targets are being met and the funds are allocated to the identified priorities.

Through the Housing Strategy development, Administration has undertaken engagement on housing incentives and a jurisdictional scan of associated incentive programs offered by other Canadian municipalities (see Appendix 1). This scan provides a simplified comparison of housing incentives in other municipalities related to incentives proposed by Administration for funding through HAF. Other incentives will be further explored by Administration through the Housing Strategy.

Incentives for Affordable Rental Housing

One of the objectives of the Housing Incentives Policy is to increase the availability of suitable and affordable rental housing. Affordable housing is defined as:

“housing units that are affordable to low-income households with incomes below the Saskatchewan Household Income Maximums while spending no more than 30 percent of their income on housing”.

To support the use of HAF funding, at the Planning Development and Community Services Committee [meeting](#) on March 6, 2024, the Committee approved exceptions to the Policy for HAF funded projects to allow for increased flexibility on timing, criteria and the amounts of incentives. This flexibility will serve to enhance the City's contributions and further incentivize the construction of new affordable units.

Administration is proposing that HAF funding be allocated to support the construction of new affordable rental units as follows:

- Capital grants of up to \$27,000 per unit based on criteria including size, type and accessibility of the units. Eligibility criteria would include the applicant's organizational status (priority given to qualified non-profits or Indigenous organizations), target population and location as well as the level and term of affordability.
- Building/development permit fee rebate of up to \$1,500 per unit. Applicants would be eligible to apply for a rebate upon issuance of a final building permit, not a foundation or shell permit. The final building permit would have to be issued prior to December 27, 2026, to meet the HAF requirements.

In addition to the capital grant and rebate incentives, projects would be eligible for a five-year incremental tax abatement subject to City Council approval. In the case of mixed-market developments which contain both market and affordable units, the tax abatement would be pro-rated by the percentage of affordable units.

Prior to issuing the initial call for proposals in 2024, evaluation metrics will be finalized based on the above criteria.

Approved proponents will be obligated to enter into an agreement with the City identifying the ongoing requirements of monitoring and reporting. The agreement will continue for the length of time that the project must remain affordable, based on the approved application.

Incentives for Rental Housing in Priority Growth Areas

Administration is proposing an incentive for multiple unit rental dwellings containing five units or more, which are located in priority growth areas of the Downtown and [Corridor Growth Area](#). These incentives may be offered pending funding availability once the initial Call(s) for Affordable Rental Housing Incentives are complete.

Administration is proposing HAF funding be allocated to support new multiple unit rental housing in the priority growth areas as follows:

- Capital grants of up to \$10,000 per unit based on criteria including size, type and accessibility of the units. Eligibility criteria will include the anticipated average cost of rent.
- Building/development permit fee rebate of up to \$1,500 per unit. Applicants would be eligible to apply for a rebate upon issuance of a final building permit, not a foundation or shell permit. The final building permit would have to be issued prior to December 27, 2026, to meet the HAF requirements.

Incentives for Housing Development on City-owned Land

In support of the sale or lease of City-owned land to be developed for affordable housing, Administration is proposing:

- Capital grants of up to \$50,000 per unit based on criteria including size, type and accessibility of the units. Eligibility criteria would include the applicant's organizational status (qualified non-profit or Indigenous organization) and target population as well as the level and term of affordability.

In addition to the capital grant, these projects would be eligible for a five-year incremental tax abatement subject to City Council approval. In the case of mixed-market developments which contain both market and affordable units, the tax abatement would be pro-rated by the percentage of units that are affordable in the project.

Administration has allocated approximately \$15M of the HAF funding to this initiative. Some of this funding may be needed to cover costs such as land transfer and site preparation.

General Criteria and Requirements of HAF Incentives

General criteria would include proponent capacity, including to meet the HAF timelines, quality of site development and architecture. The final building permit issuance shall be no later than December 27, 2026.

Approved proponents for all incentives will be obligated to enter into an agreement with the City identifying the ongoing requirements of monitoring and reporting. For affordable units, the agreement will continue for the length of time that the project must remain affordable, based on the approved application.

FINANCIAL IMPLICATIONS

Incentives noted in this report will be funded through the HAF Capital Project P.10103.

In accordance with *The Cities Act*, tax abatements are subject to City Council approval. Incremental tax abatements are forgone revenue by the City for the municipal and library portion of the tax. Project specific reports for tax abatement approvals will identify the amount of foregone revenue associated with each project.

NEXT STEPS

Administration will finalize development of criteria and evaluation metrics based on this report. For the 2024 HAF funding, a Call for Proposals will be issued for incentives for affordable housing. Depending on initial uptake, a second Call may also be issued for affordable housing. A Call for Proposals for rental housing in priority growth area incentives may be released following that, pending funding availability.

Administration will evaluate the incentive programs and available HAF funding annually to ensure targets are being met and will report back on program performance and any proposed changes on an annual basis.

Incentive packages for city-owned land will be finalized and each site will be issued through a public offering, following any required site-specific approvals.

APPENDICES

1. Related Housing Incentives in Other Municipalities

REPORT APPROVAL

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SP/2024/PD/PDCS/Housing Accelerator Fund – Incentives/mt