

Affordable Housing Incentives (2024)

ISSUE

Through the Affordable Housing Incentives (2024) Call for Proposals, 25 applications were received requesting financial assistance for the development of new affordable rental units, utilizing a portion of the City of Saskatoon's Housing Accelerator Fund funding allocation and in alignment with Council Policy C09-002, Innovative Housing Incentives.

RECOMMENDATION

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council that:

1. The total funding for the Affordable Housing Incentives (2024) of \$13,284,000.00 be allocated towards 18 projects for the development of 492 new affordable rental units, as outlined in Appendix 1, be approved;
2. Five-year incremental tax abatements for 17 projects, including the development of 496 new affordable rental units, estimated at a total of \$3,028,155.15, as outlined in Appendix 1, be approved;
3. Corporate Revenue be requested to submit an application under the Provincial Government's Education Property Tax Exemption/Abatement Program seeking approval for a five-year tax abatement, equivalent to 100% of the incremental Education property taxes, for the development of affordable housing units at 803 Hart Road; and
4. The City Solicitor be requested to prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

BACKGROUND

[Council Policy C09-002, Innovative Housing Incentives](#) (Policy), allows for financial incentives in the form of Affordable Housing Capital Contributions (capital grants) and Affordable Housing Property Tax Abatements for up to five-years based on the incremental tax increase for the affordable residential portion of any eligible affordable housing project.

One of the objectives of the Policy is to increase the availability of suitable and affordable rental housing. Affordable housing being 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”.

The Standing Policy Committee on Planning, Development and Community Services (Committee), at its Regular Business [meeting](#) on March 6, 2024, considered a report titled “Housing Accelerator Fund Budget Adjustments”. The report outlined:

- The housing unit target, including the affordable housing unit target, for the length of the Housing Accelerator Fund (HAF) program;
- The proposed funding allocation for the HAF funds including allocating the majority of the funding to incentive programs; and
- Exceptions to the Policy for HAF funded projects to allow for increased flexibility on timing, criteria and the amounts of incentives to further incentivize the construction of new affordable rental units in Saskatoon.

The Committee at its [meeting](#) on May 8, 2024, approved a report titled “Housing Accelerator Fund – Incentives”. The report outlined the proposed incentive programs being offered using funding from the HAF program to boost housing supply. The report stated that affordable rental housing, including affordable housing units within mixed-market developments, would be prioritized for the initial Affordable Housing Incentives Call for Proposals.

DISCUSSION/ANALYSIS

An Affordable Housing Incentives Call for Proposals was issued on June 5, 2024. The application window remained open for one month, closing on July 5, 2024. Applicants proposing construction of new affordable rental units were eligible to apply for capital grants of up to \$27,000 per unit and a five-year incremental tax abatement. In the case of mixed-market developments, which contain both market and affordable units, the capital grant would apply only to the affordable units and the tax abatement would be pro-rated by the percentage of affordable units. Approved projects are also eligible for a Building and Development Permit Fee rebate of up to \$1,500 per unit.

There was significant interest in the Affordable Housing Incentives, with a total of 25 applications being received. Applications were reviewed by Administration for completeness and eligibility, which included the following requirements:

- Projects must involve construction of new affordable rental units, which may include affordable rental units within mixed-market developments (minimum of five affordable units);
- A minimum of five years of applicable experience in the affordable housing industry and/or residential development;
- Required to obtain a building permit no later than December 27, 2026, to meet HAF timelines;
- Affordability must be maintained for a minimum of 20 years;
- All units must be affordable to low-income households, with incomes at or below the [Saskatchewan Household Income Maximums](#), while spending no more than 30 percent of their income on housing or set at the maximum funding available under the shelter benefit; and

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- All successful applicants will be required to enter into a legal agreement with the City, provide income screening and report on rental rates on an on-going basis for the length of the agreement term.

Priority for funding was given to registered non-profits, housing co-operatives, Indigenous organizations and/or governments and First Nations.

Of the 25 applications received, 23 were deemed eligible and were further evaluated and scored based on weighted categories with criteria. Following project evaluations, one application was withdrawn and one application did not meet the minimum scoring threshold. In addition, three applications totaling 56 new affordable rental units were deemed to have outstanding conditions which need to be fulfilled in advance of Administration bringing them forth to the Committee for consideration. If applicants fulfill the conditions, it is anticipated these projects will be brought forth in Q1 2025 for consideration. Until that time, funding for these 56 affordable units has been conditionally allocated within the HAF funding.

Appendix 1 provides greater detail for each of the proposed capital grants and tax abatements. A summary of the eligibility and evaluation criteria and further information about the application process is provided in Appendix 2. This document was available during the Affordable Housing Incentives Call for Proposals for clarity and transparency and to assist interested parties with the application process. Appendix 3 shows the location of sites and indicates that 15 sites are located within the Corridor Growth Area and 32 sites are located within the Transit Development Area.

FINANCIAL IMPLICATIONS

Capital grants approved through this report will be funded through the HAF Capital Project. Approximately \$15 million of the HAF funding has been allocated to incentives for new Affordable Rental Housing and Rental Housing in Priority Growth Areas. If the recommended capital grants are approved, the majority of this funding will be allocated. As such, future Affordable Housing Incentives Call for Proposals are not planned at this time.

In accordance with *The Cities Act*, tax abatements are subject to City Council approval. Incremental tax abatements are forgone revenue and do not require a funding source. According to the Corporate Financial Services Division, if the 17 eligible projects are approved, the City will forgo an estimated total of \$2,001,822.75 of City and Library property tax revenue over five years.

Overview – Incremental Tax Abatements						
# of Projects	# of Affordable Units	Municipal Tax	Library Tax	Education Tax	One-Year Total	Five-Year Total
17	496	\$363,109.15	\$37,255.40	\$205,266.48	\$605,631.03	\$3,028,155.15

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Calculations are based on current 2024 tax rates and will change with any alterations to the design plans or annual mill rate adjustments. As well, it is noted that 2025 is a reassessment year, which may result in changes from the estimates provided. Abatements will be based on the actual assessment value determined upon final inspection of the completed projects.

If any of the eligible projects exceed \$25,000 per year in Education property tax, the City via Corporate Revenue must request an exemption or abatement from the Province of Saskatchewan. Any projects which are less than the threshold do not require Provincial approval. As the estimated Education property tax for the proposed development, located at 803 Hart Road, will exceed \$25,000 per tax year, if approved, an application requesting Provincial approval will be submitted.

Projects containing all affordable units are eligible for a full five-year incremental tax abatement. Where a project contains a mix of market and affordable units, a pro-rated calculation is used to determine the ratio of affordable units to the overall development of the project. Non-residential space is not eligible for a property tax abatement under the Policy.

Financial assistance for affordable housing projects outlined above is conditional upon meeting appropriate zoning and securing building permits prior to development commencing.

OTHER IMPLICATIONS

There are no other implications.

NEXT STEPS

Should City Council approval be granted, each applicant will be required to enter into an agreement with the City. The agreement will include the ongoing monitoring and reporting requirements, including income screening and rental rate reporting on an on-going basis for the length of the agreement term.

Capital grant payments will be made based on predetermined milestones or via progress payments. The payment schedules will be negotiated and confirmed within the individual funding agreements.

Property tax abatements, if approved, will begin the calendar year following project completion and will continue for five years.

APPENDICES

1. Proposed Capital Grants and Tax Abatements
2. City of Saskatoon - Affordable Housing Incentives (2024) - Frequently Asked Questions
3. Affordable Housing Incentives (2024) - Location Map

REPORT APPROVAL

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