



STAFF REPORT

Title: Grant Opportunity - Housing Accelerator Fund

Meeting Date: July 11, 2023

Executive Summary:

Administration has become aware of the Federal Government's Housing Accelerator Fund grant program, aimed at increasing the supply of housing. Administration has prepared a brief summary of the grant program along with potential initiatives that the City could consider including as part of an Action Plan required to apply for funding under the Housing Accelerator Fund program.

This report is presented to seek Council's direction on whether an application to the grant program should be submitted, and if yes, to clarify which initiatives Council would like to see prioritized in the development of the Housing Availability Action Plan.

Background:

The Canada Mortgage and Housing Corporation (CMHC) recently announced the availability of the Housing Accelerator Fund (HAF) grant program, with the application intake beginning at the end of June. The Housing Accelerator Fund is an application-based program with 1 application window in summer 2023. The program was introduced in the 2022 Federal Budget with a funding allocation of \$4 billion until 2026-27.

The Fund's objective is to accelerate the supply of housing across Canada, resulting in at least 100,000 more housing units permitted than would have occurred without the program, particularly in what has been termed the "missing middle", consisting of rowhouses, multiplexes and small apartment buildings.

Incentive funding can be used for prescribed uses, which fall under 4 categories:

1. Investments in Housing Accelerator Fund Action Plans
2. Investments in Affordable Housing
3. Investments in Housing-Related Infrastructure
4. Investments in Community-Related Infrastructure that Supports Housing

Approved applicants would receive 4 advances (1 advance planned for each year of the program) including an upfront advance to begin implementing the action plan after the contribution agreement is signed. Subsequent payments will be made annually for 3 years, subject to program conditions being met. This includes satisfactory progress reviews.



Grant funding is calculated on the following basis: base funding + top up funding + affordable housing bonus = total grant funding:

- **Base funding** is designed to incentivize all types of housing supply across the spectrum. Base funding is estimated at \$20K per each incentivized unit (the number of units different between the projected number of permitted units without the grant and the projected units anticipated with the grant. **PLUS**
- **Top of funding** is designed to incentivize specific types of housing including multi-unit housing and “missing middle” housing (not single detached homes). Top up funding is estimated at \$7,000 to \$15,000 per each incentivized unit depending on the type of unit. Multi-unit housing “missing middle” refers to ground-oriented housing types including garden suites, secondary suites, duplexes, triplexes, fourplexes, row houses, courtyard housing, low rise apartments (4 stories or less) **PLUS**
- **Affordable housing bonus** is designed to reward applicants that increase affordable housing units. The percentage increase of total projected affordable units due to the incentivized grant, would be used with funding estimated at \$19,000 per each incentivized affordable housing unit.

Due to the grant calculation method, it is recommended that affordable housing units, and multifamily and “missing middle” housing units are prioritized.

To qualify for the grant, the municipality must have an Action Plan with at least seven initiatives that would serve to increase the availability of housing, over and above the expected number of dwelling units that would be expected if there were no incentive available. It is ultimately up to the municipality how best to utilize the HAF funding, which can include expenditures on infrastructure that supports housing.

To qualify for HAF, the City must project the total number of dwelling units that they would expect to see built for a 3-year period ending in 2026 without the HAF incentives being in place, and then project the total number of dwelling units that would be developed with the availability of the HAF incentives. For the purposes of this report, the term “dwelling units” includes all forms of housing from single detached houses, duplexes, row houses, apartment/condo units, secondary suites, and mobile homes.

CMHC does not provide a set methodology for calculating these projections, rather, this is left to the City to determine using available data. Construction of new dwelling units has been erratic over the past 10 years, with a number of years during this period having growth in the range of 40-50% with other years having negative growth in the range of 30-85%. Administration determined that the average year-over-year growth rate from



2013-2022 was 18%. A graph illustrating the net total number of new dwellings created during this period is attached. Using this average growth rate, the following forecast was calculated:

2024 – 100 new units

2025 – 118 new units

2026 – 139 new units

Total for three-year period: 357 new dwelling units (with no HAF incentives in place)

Again, there is no formula for calculating the number of dwelling units that the City would expect to see with the HAF funding in place. For calculation purposes, Administration assumed that HAF incentives could contribute a 40% increase in new dwelling units constructed during the three-year period:

2024 – 140 new units

2025 – 196 new units

2026 – 275 new units

Total for three-year period: 611 new dwelling units (with HAF incentives)

These projections are a conservative estimate of the number of dwelling units that the City could see constructed in the next several years, and are below the number of units constructed during the last housing boom between 2012-2014:

2012 – 229 new units

2013 – 283 new units

2014 – 446 new units

In calculating these numbers, Administration was seeking a balance between anticipating potential growth in housing needs (based on projected economic activity over the next several years), while also being cautious to not significantly overestimate and commit the City to an unrealistic target. The figures above for 2013 and 2014 were skewed upward, due to the availability of the City's Multiunit Rental Housing Incentive Program at that time.

Once the projections have been calculated, the Annual Growth Rate and Annual Growth Rate Change are calculated using the formulas provided by CMHC. To qualify, the Annual Growth Rate must be greater than 1.1% and the Annual Growth Rate Change must exceed 10%. Using the projections described above, and the calculator provided by CMHC, Administration calculated the City's annual growth rate at 2.98%, which represents the growth rate of the total number of dwelling units in the City (currently 6,839 units). The Annual Growth Rate Change was calculated at 71.15%, which represents the annual change in the growth rate of the housing supply, over the three-year term of the



program. Both of these rates exceed the minimum thresholds established in the HAF program criteria.

Based on the proposed new dwelling units incentivized by the HAF grant, the City could be looking at a grant estimated at \$5 million as the Base Funding, plus additional funding if any of these housing units fell within the prioritized categories.

In brainstorming potential housing incentives, Administration has considered the following:

- There are currently 152 vacant lots in the City.
- There is currently one subdivision actively developing new lots.
- There is an anticipated influx of residents expected due to 4 Wing Cold Lake development.
- There is an anticipated influx of residents expected due to proposed carbon capture projects in the region.
- The current residential vacant rate is estimated at 8.0% per the Government of Alberta (2021 as the most recent statistics available).
- There has been a recent renewed interest by developers to develop residential and commercial areas within the City.

Administration is seeking feedback from Council to determine:

- (1) if an application for HAF should be submitted and
- (2) to clarify which initiatives should be prioritized in the development of Housing Availability Action Plan.

Administration has generated a number of potential initiatives for Council's consideration, should the City choose to move ahead with an application for the HAF grant program. It should be noted that it is recommended to have a diverse set of initiatives:

- Majority of initiatives should incentivize units to maximize funding;
- Initiatives supporting improvements to the broader housing system but not directly increasing housing supply should also be part of the action plan.

The City would need to have a minimum of 7 initiatives in its Action Plan to meet the HAF program criteria:

1. Offer a Tax Rebate on Unsold Lots

From speaking with a number of land developers, Administration understands that there is some hesitancy to develop additional residential lots, as most land developers ended up with a significant inventory of lots that could not be sold due to the sharp drop in demand after 2014. It has taken nearly 10 years for the majority of this inventory to be



used. Part of the concern is that the developer continues to pay taxes on the newly-created lots until they can be sold, which represents a significant carrying cost, on top of the initial investment in constructing the lots. Offering a tax rebate on unsold residential lots may incentivize development by reducing some of the potential financial risk for the developer, in the event that lots do not sell.

This being said, a tax rebate also has a counter effect of later disincentivizing the turnover lots from the development investor to builders. It is highly advised that this type of program has time limitations.

2. Reduce or Rebate Offsite Levy Payments

The offsite levies that the City collects under the Municipal Government Act are intended to fund the expansion of City infrastructure that is required to provide the capacity to accommodate new growth. The levies typically fall in the range of \$5,000-\$10,000 per lot, with this amount being included in the selling price of the lot. Offering a levy reduction or rebate could lower the initial cost of a residential lot, which may incentivize more persons to build.

The City of Cold Lake will need to budget for the full amount of off-site levies that is being reduced or rebated to make these payments on behalf the developer into the offsite levy account. This funding is developers funding paid to the City “intrust” for project identified in the offsite levy bylaw.

3. Fee Rebates

Another option would be to use HAF funding to offer fee rebates for City application processes related to housing and residential development. Fees for Area Structure Plan and Subdivision Applications, Residential Rezoning, or Development and Building Permits could be considered. Fees for these types of applications range from \$150 for a typical residential development permit, up to \$10,000 for a large building permit or subdivision application.

4. Construction Cost Rebate

Construction costs for a typical residential subdivision creating between 30-40 new lots are in the order of \$1,000,000, excluding the initial purchase price of the land. To incentivize development of new residential lots, the City could consider using HAF funding to offer a partial rebate of the construction cost that a land developer would incur. This may help encourage some developers who are currently on the fence about proceeding with additional lot development, by offsetting some of the financial risk in moving ahead with further lot development.



5. (A) Park Development Incentive

Over the past 15 years, the development of parks within new subdivisions has often been a challenge, as many local developers seem to view the park simply as a cost item, as opposed to an amenity that makes their development area attractive to potential buyers. HAF funding could be used to fund the development of park areas in new subdivisions, thus relieving the developer of the associated cost; and freeing up developer capital to create additional lots.

5. (B) Park and Landscaping Process Changes – Policy Amendment

The City could incentivize further lot development by relieving developers of the responsibility of completing landscaping, by offering an alternative process whereby the City could complete landscaping requirements for developments, at a shared cost with the developer. This would ensure that landscaping was completed in a timely manner, and reduce developer costs. The City would also then have an opportunity to design and implement the landscaping in line with community priorities and long term planning objectives.

6. Wastewater Treatment Plant

The Cold Lake Regional Utilities Commission has been considering the need to construct a mechanical wastewater treatment plant to replace the City's existing lagoon system. As the HAF funding can be used towards infrastructure that supports housing, a portion of the cost of the wastewater treatment facility to provide additional capacity for future growth could be offset by the HAF grant.

7. (A) Secondary Suite Incentive

One option many municipalities employ to create additional housing units is through "gentle density" by adding dwelling units within existing buildings/lots. The City could incentivize the creation of additional dwelling through the development of secondary suites (ie. basement or garage suites). This could take the form of one or more of:

- a fee rebate;
- a tax rebate or
- a grant

in a set amount to offset some of the cost of developing a secondary suite.



7. (B) Secondary Suite Change from Discretionary Use to Permitted Use – Bylaw Amendment

Currently in the Land Use Bylaw, secondary suites are a discretionary use in residential areas. There are several examples of large urban municipalities changing the secondary suites from discretionary to permitted uses which removes the right of appeal that neighbours would otherwise have in authorizing the development. This change would reduce red tape and expedite approvals of secondary suites in residential neighbourhoods stimulating additional gentle density.

7. (C) Secondary Suite Remove Parking Requirement – Bylaw Amendment

Currently in the Land Use Bylaw, permits for secondary suites has parking requirements. Some large urban municipalities have removed all parking requirements for secondary suites to further promote soft development and densification. This change would reduce red tape and promote an increase in the number of approvals of secondary suites in residential neighbourhoods.

8. Multiunit Housing Incentive

In 2013-2014 the City had a successful program to incentivize construction of new multiunit rental housing by offering a rebate of \$5,000 per unit for projects of up to 12 units, and \$7,500 per unit for projects creating 13 or more new rental dwelling units. Over 300 new rental dwelling units were created under this program. Council could consider bringing this program back in some form and using a portion of the HAF funding to provide the rebates. This type of incentive would also align well with the HAF program which seeks to increase the supply of row-housing, multiplex and small apartment dwelling units.

9. Infill Development Incentive

To promote the development of new housing on infill lots in mature neighbourhoods, the City could consider ways to incentivize redevelopment of properties with new housing. Compared to constructing on a new lot, redevelopment of an existing property carries additional costs for demolition (in some cases) as well as surveying and engineering.

Last year, Council amended the Water, Sanitary and Storm Service Connection Policy No. 216-DA-21 so that the City would cover the cost of installing new services to an infill lot if the existing service connections are found to be unusable. This could be extended to have the City cover the cost of all residential service installation. Other possibilities would be to offer an infill rebate to offset some of the additional engineering costs, or a tax rebate for redevelopment of infill properties.



10. (A) Manufactured Home Incentives

One of the quickest potential avenues to creating more housing units would be to incentivize bringing more manufactured homes into the community. Currently there is a substantial number of vacant plots for manufactured homes in the 3 manufactured home communities, particularly in Fontaine Village. The City could consider offering a tax rebate for anyone purchasing a new manufactured home, or potentially a grant for new manufactured homes that are brought into the community.

10. (B) Manufactured Home Subdivision Development

Another option relating to manufactured homes would be the creation of a new subdivision to support manufactured homes, where the buyer owns both the lot as well as the manufactured home itself. Administration has heard from many manufactured home owners who are frustrated that there is no place within the City that a person can purchase a lot to place a manufactured home. Residential land use districts do not allow manufactured homes, given the substantially different type of construction and differential in value compared to a traditional house. Currently there is one area between 51 Street and 54 Street between 52 Avenue and 54 Avenue where manufactured home owners also own the lot their home is located on, however there is low turnover in this area, so there are few opportunities for a manufactured home owner to purchase a lot in the City. The City could consider using HAF funding to develop a manufactured home subdivision for such a purpose, or provide a grant opportunity, or application fee rebate to developers who would like to do so.

11. Disincentives for Vacant or Underutilized Land

Although this option wouldn't necessarily require HAF funding, as a means to encourage development, the City could look at ways to encourage owners of vacant, or land banked, or underutilized residential parcels of land to either sell or develop their properties. This could be accomplished through a differential tax rate and enhanced enforcement of bylaw standards relating to the condition of the vacant property.

12. Housing for Vulnerable Populations

Some funding under the HAF could also potentially be used to provide additional housing options for vulnerable populations, including but not limited to:

- Developing a seniors housing incentive program to incentivize construction of new senior's multiunit housing by offering a rebate per unit developed



- Developing assisted living housing incentive program to incentivize construction of new assisted living multiunit housing by offering a rebate per unit developed
- Developing a low-income rental housing incentive program to incentivize construction of new low-income housing by offering a rebate per unit developed

13. City infrastructure development for priority development areas

The City has taken steps to identify priority areas for infrastructure development including canvassing the extent of required infrastructure upgrades to bring parcels into shovel ready development states for subdivisions. In identifying priority areas, the City could propose to utilize grant funding to upgrade existing infrastructure where required to expedite lot developments.

14. Revitalization of Stalled Development Areas

The City has taken steps to identify areas where subdivision development was initiated and stalled. There are two subdivision areas which have been identified as being potential areas of interest where infrastructure upgrades and incentives to resume development could be considered to quickly bring additional lots to market and incentivize development.

The CMHC grant is a competitive grant, where communities are selected based on maximum scoring for each evaluation criteria. Maximizing scoring is recommended by focusing on the following factors:

- Implementation and timeliness: develop initiatives that can be implemented and increase permitted units prior to the first reporting period;
- Supply impact degree of improvement: design initiatives achieving greater than 15% net change in priority housing type and/or overall total housing accelerator fund units;
- System impact degree of stability and predictability; initiate initiatives extending beyond the 3-year housing accelerator fund timeframe, decreasing approval timelines by at least 25% and/or impacting at least 50% of the associated geographical jurisdiction.

The applications for the HAF Grant is open with a very tight turnaround. The deadline to apply for the grant is August 18, 2023.

Administration is seeking feedback from Council to determine:

- (1) if an application for HAF should be submitted and
- (2) to clarify which initiatives should be prioritized in the development of Housing Availability Action Plan.



Alternatives:

Council may

1. Direct Administration to apply for the HAF grant.
2. Accept this report as information.

Recommended Action:

That Council direct Administration to apply for the Housing Accelerator Fund (HAF) grant.

Budget Implications (Yes or No):

Yes - if the City is successful in securing funding through the HAF program, these funds will impact future budgets.

Submitted by:

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