Okotoks Municipal Asset Corporation (OMAC) Business Plan

Town of Okotoks

July, 2024

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Executive Summary

The Town of Okotoks is considering the establishment of an arms-length, municipally controlled corporation (MCC), named the Okotoks Municipal Asset Corporation (OMAC). This initiative aims to drive the development of affordable rental housing in Okotoks, enhancing the social well-being of residents, supporting fiscal and environmental sustainability, and fostering a thriving local economy.

The business plan for OMAC outlines a strategic approach to develop affordable housing in response to federal initiatives and a significant local demand. Current projections detailed in this plan outline a need for over 460 affordable units by 2026 due to a substantial gap in market supply. The plan details the operational framework, where an Executive Director/CEO will lead with contracted back-office services from the Town and contracted services for property and project management, focusing on cost-effective development strategies for immediate projects.

To capitalize OMAC and provide a foundation for development, the Town of Okotoks will transfer Town land assets to the corporation. This strategic move equips OMAC with valuable assets to develop and leverage throughout the project lifecycle. Extensive financial modeling has been conducted to assess the viability of each project and OMAC as an entity. Excerpts from the model are included to illustrate the financial planning that supports each decision within this plan.

The business plan for OMAC demonstrates that each project of plan A is financially viable as a 100% affordable rental under current assumptions, including capital structure and funding eligibility. However, to ensure OMAC covers overhead costs and supports future growth, Project 2, situated on a larger parcel combined with a stacked townhome setup, is identified as the most suitable choice for launching operations. This project is expected to generate sufficient cash flow to cover the initial operational expenses of OMAC. Plan B offers a mix of affordable and market-rate housing. It carries risks, such as potential vacancies in market-rate units and the cost of debt. This approach can help achieve affordable housing but involves inherent financial risks and requires thorough market analysis. Plan C is 100% Commercial, it requires further analysis and is out of scope. While it could generate revenue, it takes longer to achieve affordable housing by commercializing first and using profits for affordable housing.

Managing project completion risks and cost overruns is critical and requires meticulous project management and contingency planning. Utilizing fixed-price contracts where possible will also help mitigate these risks. Given that the current market analysis indicates an optimal time for entry, moving forward now will capitalize on favorable conditions, thereby enhancing OMAC's operational effectiveness and financial health.

This Business Plan will delve into the essential components that illustrate how the concept of affordable housing in Okotoks will be transformed into reality.

The Business Plan will explore:

- **Market Analysis:** Investigates the demand for affordable rental units in Okotoks, identifies the existing supply-demand gap, and defines the target market for OMAC's housing projects.
- **Operational Plan:** Details OMAC's planned corporate structure and outlines strategies for property development and management.
- **Financial Plan:** Analyzes the financial viability of potential projects using land parcels from the development portfolio and identifies the most suitable initial project for OMAC to launch, ensuring a viable start for the organization.
- **Risk Assessment:** Examines the potential risks associated with developing affordable housing projects and provides treatment options of each identified risk.

Market Analysis

This section begins by aligning the Town of Okotoks' priorities with both the federal and provincial strategies to increase the supply of affordable homes. It then examines the market demand and supply for affordable rental units in Okotoks, identifies the supply-demand gap, and defines the target market for OMAC's affordable housing projects.

Alignment with Federal Strategy

Supplying affordable housing is encapsulated in the National Housing Strategy (NHS)

Invest in New Housing

The NHS plans to invest in the construction of up to 160,000 new homes across Canada. This includes a significant allocation towards the creation of new affordable housing units and the preservation of existing community housing units.

Funding and Financial Support

The strategy includes various funding programs such as the Affordable Housing Fund, the Rapid Housing Initiative, and the Federal Lands Initiative. These programs are designed to increase the supply of affordable housing through new construction, renovation, and leveraging federal lands for housing development.

Aligning with local needs & priorities

The NHS is expected to be implemented in collaboration with provincial and territorial governments, aligning federal resources with local needs and priorities. This cooperative approach ensures that the strategy is effective across different regions with varying housing challenges.

By aligning with the NHS, Okotoks can leverage substantial federal support to achieve its local housing goals. Utilizing these resources not only boosts the town's capacity to provide affordable housing but also ensures that these initiatives cater to the unique needs of the community, thereby fulfilling both local objectives and national housing policy goals

Alignment with Provincial Strategy

Leveraging “Stronger Foundations” for Local Impact

Targeted Household Support

By focusing on affordable rentals for low-to-moderate income earners, Okotoks directly contributes to the provincial goal of supporting 82,000 households by 2031, addressing critical housing needs within the community.

Strategic Use of Investments:

Leveraging Alberta’s planned investment of $840 million for affordable housing, Okotoks can secure necessary funding to subsidize construction costs, reduce rents for targeted income groups, and accelerate the development of new units.

Adaptability and Local Implementation

By adapting Alberta’s guiding principles to local conditions, Okotoks can design housing projects that are not only aligned with provincial directives but also responsive to the specific needs and challenges of its residents.

Okotoks’ strategy to develop affordable housing for low-to-moderate income earners is a proactive approach that aligns with Alberta's provincial vision. By integrating these efforts with provincial funding, legislative support, and targeted policies, Okotoks is positioned to significantly improve housing accessibility and affordability for its residents.

Economics

Demand for Affordable Rental Units

If the criteria that the City of Calgary used to identify households in need of affordable housing is adopted, the demand for affordable housing would include the number of households that are:

1. Earning less than 65% of the median income

	Income Threshold	# of Qualified
Less than 65% of Median Household Income	$ 76,050	2,850

Source: Statistics Canada, 2021 Census of Population.

Statistics Canada indicates that 14.3% of Okotoks households are tenants. Assuming the same percentage applies to the 2,850 households earning less than 65% of the median income, about 407 households need affordable rental supplies.

	2021	2024*	2026*	2027*
Estimated Households Needing Affordable Rentals using Criteria 1.	407	448	463	471

AND

2. Spending 30% or more of income on shelter

	2021	2024	2026	2027
Total - Tenant households in non-farm, non-reserve private dwellings - 25% sample data	1,480	1,628	1,683	1,710

Source: Statistics Canada, 2021 Census of Population.

According to Statistics Canada, 35.4% of the tenant households in 2021 spent 30% or more of their income on shelter. This translates to the following number of estimated households that need below market rental housing:

	2021	2024*	2026*	2027*
Estimated Households Needing Affordable Rental Housing	524	577	596	606

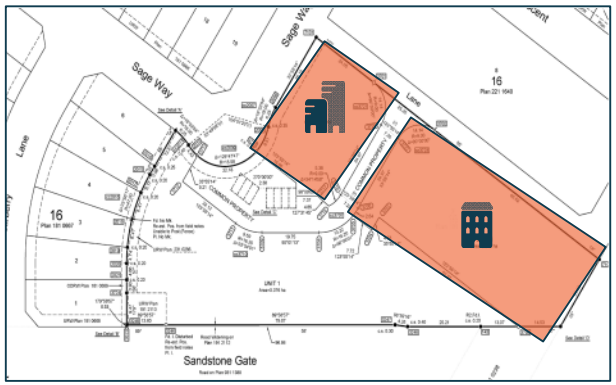
Assuming that tenant households in Okotoks earning less than 65% of the median income are among those spending 30% or more of their income on housing, it is projected that **463 to 596 households will require affordable rental units by 2026**. This number is expected to increase to **471 to 606 by 2027**, assuming the town's population growth keeps pace with the projected provincial population growth.

Economics

Supply of Affordable Rental Units

1. Currently, Vacancy rates are near zero in Okotoks. According to the 2021 census data, the composition of the overall housing stock in Okotoks is markedly different compared to adjacent municipalities like Calgary, High River and Strathmore, with only 1% of housing being purpose-built rental properties. This means that there are only 106 dwellings that are available as rental properties.

2. As of May 2023, Westwind Communities, a non-profit organization that provides affordable and subsidized housing options in Okotoks, and Partner Development Group, a local housing developer in Okotoks, offer 31 units of non-market affordable housing to the Okotoks' market.



3. Another 38 units of near-market rentals in the region are currently under development, owned and managed by Westwind Communities.

Given the estimated need for about 463 to 606 affordable rental units by 2027, the supply of purpose-built affordable rentals falls short of addressing the substantial demand, highlighting the urgent need for expanded affordable housing development in Okotoks.

Consequences of Supply and Demand Gap

Increased Housing Costs

A shortage of affordable rental options typically leads to increased rents in the available units. This can disproportionately affect low-income families and individuals who may find themselves priced out of the housing market.

Overcrowding

Families and individuals might be forced to live in overcrowded conditions if they cannot find affordable housing. This can lead to increased health risks, especially if such conditions contribute to the spread of infectious diseases.

Reduced Quality of Life

High housing costs can force residents to allocate more of their income towards rent, leaving less for other essentials such as food, healthcare, education, and transportation, which can reduce overall quality of life and well-being.

Economic Impact

High housing costs can deter new workers from moving to the area, potentially affecting local businesses in terms of finding and retaining employees. The cost and/or shortage of housing and potentially shortage of workers will also deter new businesses from locating in Okotoks and this could slow economic growth and impact the vibrancy of local commerce.

According to Westwind, the rent in Okotoks increased 17-27% last year, as a result of a shortage of rental housing supply.

Target Market

Based on available data, the characteristics below are presented as defining the target renters that need to be provided with suitable housing – an objective that OMAC can pursue.

Target Renters

Income and Spending Capability

Low- moderate income renters (earning less than 65% of the median income) who spend 30% or more on shelter

Age Group

Working class households with primary maintainers, the persons who are mainly responsible for the financial support of the households, being between the ages of 20 - 64

Surrounding Areas

Individuals seeking affordable housing in and around Okotoks, including communities in Calgary, High River, Strathmore, and Cochrane.

Household Size

Households of one to four persons.

Key Takeaways

Building affordable rental housing aligns with both Federal and Provincial Strategies:

- Developing affordable rental projects for vulnerable groups is in line with both the Federal and Provincial strategies, with both levels of governments providing funding and financial support to facilitate these initiatives. Accessing the federal and provincial funding opportunities will significantly lower the cost of capital for constructing and operating new affordable housing in Okotoks.

There is a supply-demand gap for affordable housing:

- Projections indicate an increasing gap between the demand for and supply of affordable rentals, highlighting an urgent need for expanded development of affordable housing in Okotoks.

OMAC should prioritize these groups to provide affordable housing:

- The target market comprises renter households with low-to-moderate income, including individuals and families of one to four persons seeking affordable housing in Okotoks and surrounding areas.

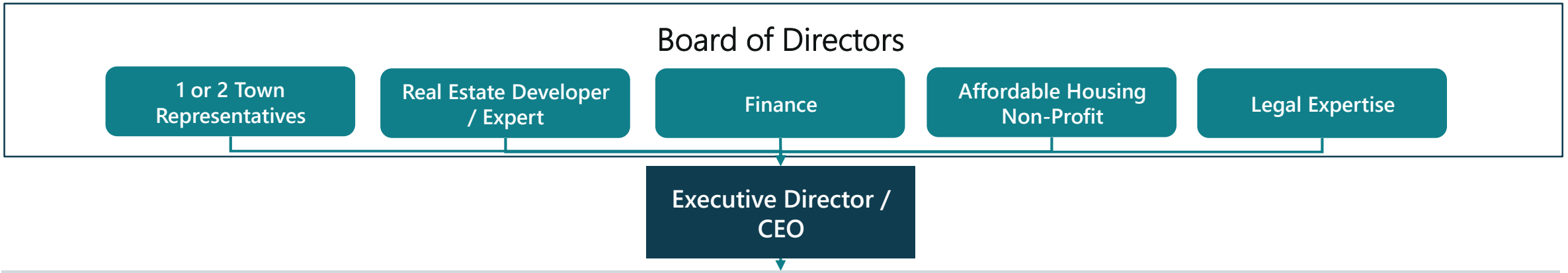
Operations Plan

This section outlines OMAC's operational framework, detailing the corporate structure, development portfolio of land assets, specific development plans for selected land parcels, and the property management strategies aimed at ensuring efficient project operation and long-term sustainability.

Contents:

Corporate Structure

The Board of Directors of the MCC should include a range of experts essential for guiding the corporation's mission in affordable housing development. This includes real estate or construction development experts who provide critical insights into project building and design, a finance expert to provide insight on financial strategies and how to maintain fiscal health, and legal expertise to help ensure that legal and regulatory requirements are attended to. Additionally, the board benefits from the inclusion of members from a non-profit dedicated to affordable housing, who bring a unique perspective on community needs and advocacy. To integrate local government interests and foster collaborative community relationships, one or two town representatives could also serve on the board.



For the initial startup phase of OMAC, the role of the executive director/CEO encompasses a broad range of responsibilities, including:

- Oversee daily operations, ensuring effective management and integration of all business activities.
- Secure funding and manage financial resources to ensure financial stability and sustainability of OMAC.
- Ensure adherence to all applicable affordable housing guidelines, and manage compliance reporting to CHMC and the GoA, ensuring all requirements are met.
- Lead project planning and execution to ensure projects are completed on time, within budget, and to the required quality standards.
- Identify, analyze, and manage risks that could impact the OMAC's operations and financial health.
- Act as the primary spokesperson for OMAC, managing relationships with key stakeholders including government entities and community groups.

Corporate Structure

Board of Directors

- 1 or 2 Town Representatives
- Real Estate Developer / Expert
- Finance
- Affordable Housing Non-Profit
- Legal Expertise

Executive Director / CEO

These positions should be contractors during start-up phase to minimize overhead cost pressures

Property Managers

A role that is needed during the later stages of construction to prepare for lease-up.

Key responsibilities:
- Marketing and promotion.
- Tenant management.
- Lease management.
- Maintenance and repairs.
- Financial reporting to OMAC.
- Regulatory compliance.

Project Managers

A role that is contracted on a project-by-project basis during pre-construction and construction.

Key responsibilities:
- Project planning.
- Resource management.
- Stakeholder communication.
- Quality control.
- Schedule management
- Budget management.
- Compliance and reporting.

Future positions that OMAC can recruit once it generates sufficient operating profit, and the number of units becomes high enough to exceed the capacity of existing structure.

Program Coordinator

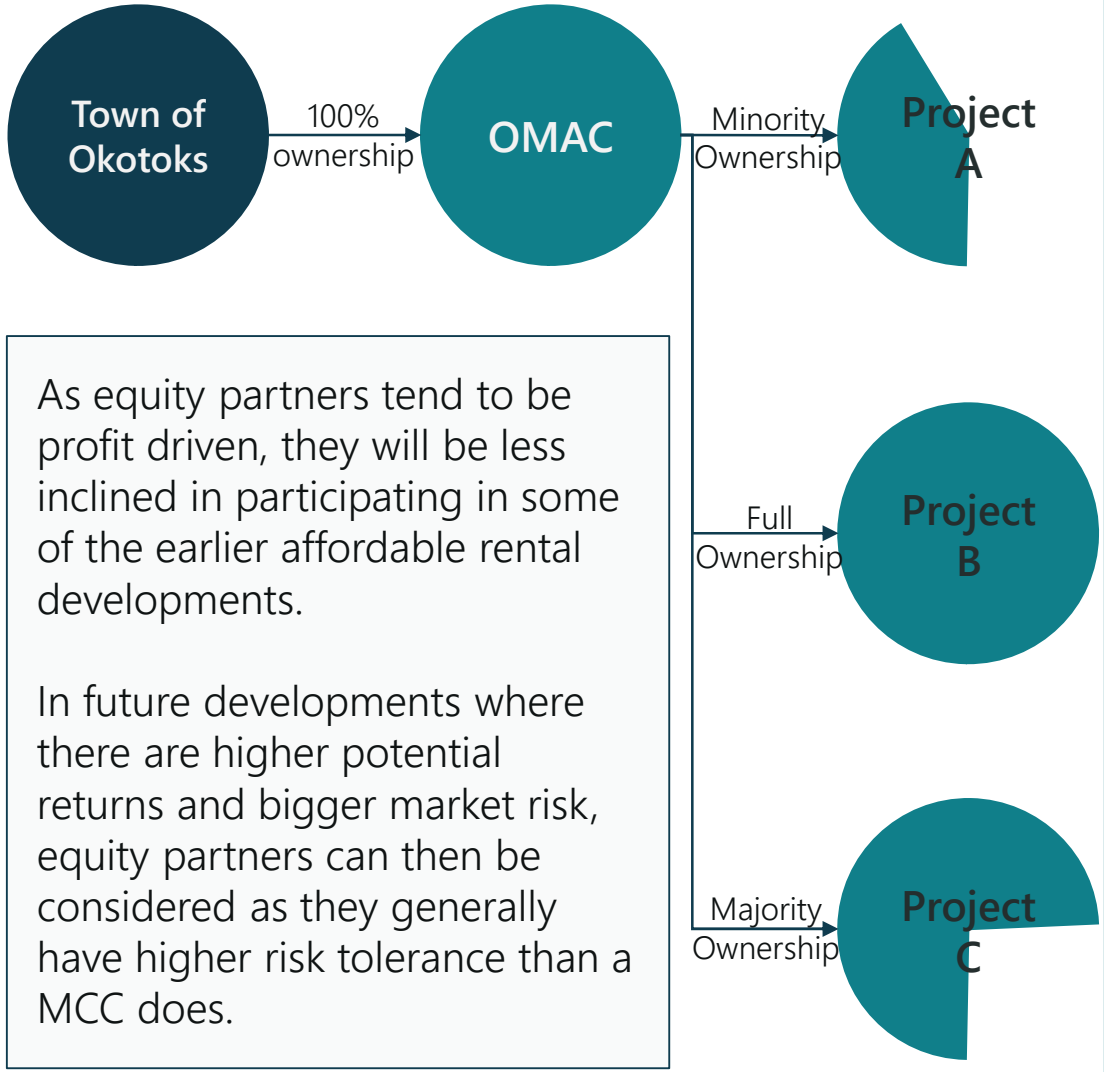
Key responsibilities:
- Compliance reporting to CMHC, the GoA, and other funding sources.
- Periodic progress and key achievements updates to the Town.

On-Demand back-office services

- Accounting and bookkeeping
- Human Resources support
- Procurement support
- IT support

The Town can provide these on-demand services to OMAC on a contracted service bases for a fee of $1/year.

Corporate Structure



As equity partners tend to be profit driven, they will be less inclined in participating in some of the earlier affordable rental developments.

In future developments where there are higher potential returns and bigger market risk, equity partners can then be considered as they generally have higher risk tolerance than a MCC does.

Equity Partner	Contractor	Project Type
Property Manager, Private Developer		• High Risk, • High Return, • Less control
	Property Manager, General Contractor	• Earlier Projects, • Affordable focused.
Private Developer	Property Manager	• High Risk, • High Return, • OMAC wants to retain control.

Development Plan

The Development Plan will use three land parcels to present the architectural and cost details, including:

- Type of Development
- Design and Structure
- Unit Density
- Unit Composition
- Cost Attributes

Land Parcel 1: Uses the ready-to-develop D'Arcy Residential parcel.

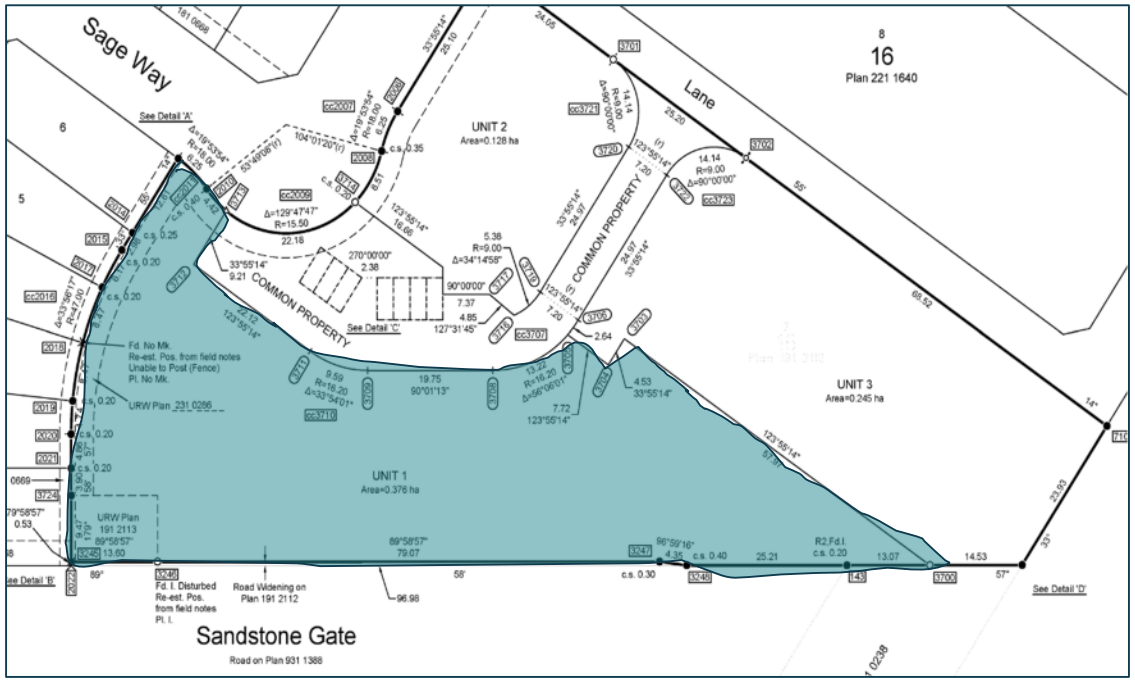
Land Parcel 2: Uses a hypothetical land parcel with different land size, assessed value, and zoning restrictions.

Land Parcel 3: Uses another hypothetical land parcel with different land size, assessed value, and zoning restrictions.

The following three slides will present the development plans for each parcel.

Development Plan – Project 1

D'Arcy Residential



Land Attributes

- Area: 0.93 acres
- Assessed value: $930,000
- Land Use: Neighbourhood Core District (NC)

Proposed Development:

- Four Storeys MURB
- Wood-frame
- Surface Parking
- Approx. 40 UPA =>38 units
- Mix of 1 bedroom (22 units), 2 bedrooms (16 units)

Cost Attribute:

- Construction Cost: Min – $242.05 /sq ft, Base - $257.50 / sq ft, Max - $272.95
- Total cost of the Project: $9.62 Million to $10.85 Million.
- Per Door Average Cost: $253,159 - $285,477.

Development Plan – Project 2

Land Parcel – Hypothetical Site 1

Land Attributes

- Area: 3.60 acres
- Assessed value: $1,970,000
- Land Use: Assume to be NC or D

Proposed Development:

- 3 Storeys MURB or Stacked Townhomes
- Wood-frame
- Surface Parking (Less)
- Approx. 30 UPA =>110 units
- Mix of 1 bedroom (66 units), 2 bedrooms (44 units)

Cost Attribute:

- Construction Cost: Min – $200.85 /sq ft, Base - $218.90 / sq ft, Max - $236.90
- Total cost of the Project: $22.91 Million to $27.02 Million.
- Per Door Average Cost: $210,152 - $247,871.

Development Plan – Project 3

Land Parcel – Hypothetical Site 2

Land Attributes

- Area: 0.70 acres
- Assessed value: $910,000
- Land Use: Assume to be NC or D

Proposed Development:

- 3 Storeys MURB or Stacked Townhomes
- Wood-frame
- Surface Parking (Less)
- Approx. 30 UPA =>20 units
- Mix of 1 bedroom (12 units), 2 bedrooms (8 units)

Cost Attribute:

- Construction Cost: Min – $200.85 /sq ft, Base - $218.90 / sq ft, Max - $236.90
- Total cost of the Project: $4.16 Million to $4.91 Million.
- Per Door Average Cost: $198,325 - $233,922.

Property Management Plan

The objectives of effective property management are to:

1. Ensure long-term sustainability and affordability of housing.
2. Maintain high standards of living and efficient operational management.

Key activities of Property Management include:

- **Compliance:** Adhering to all legal and regulatory requirements to ensure continued funding and operational legality.
- **Marketing:** Effectively advertising available units to ensure high occupancy rates.
- **Tenant Selection:** Implementing fair and transparent processes to select eligible tenants.
- **Rent Collection:** Efficiently managing financial transactions to maintain project viability.
- **Maintenance and Repair:** Regular upkeep and prompt repairs to ensure safety and satisfaction.
- **Tenant Relationships:** Building and maintaining positive relationships with tenants to ensure a harmonious community and address issues proactively.
- **Lease Management:** Overseeing lease agreements to ensure both tenant and organizational compliance.
- **Reporting:** Regularly documenting all aspects of management for stakeholders and regulatory bodies.

Property Management Plan– Available Options

OMAC can achieve these objectives of effective property management through two primary approaches:

1 Build an In-House Property Management Team

Develop a dedicated team within OMAC to handle all aspects of property management.

Pros

- **Control and Flexibility:** Direct oversight allows for tailored solutions and quick response to property issues.
- **Cost Efficiency:** Potentially lower long-term costs due to no third-party fees.

Cons

- **High Setup Costs:** Significant initial investment required for training and infrastructure.
- **Resource Intensive:** Demands ongoing management and development of internal staff.

2 Contract External Property Management Services

Engage a professional property management company to manage day-to-day operations.

Pros

- **Expertise:** Brings specialized knowledge and experience, enhancing operational efficiency.
- **Scalability:** Easily adjusts services based on current property needs without internal HR burdens.

Cons

- **Higher Ongoing Costs:** Service fees can accumulate, making it more expensive over time.
- **Reduced Control:** Less direct control over management practices may lead to misalignment with organizational goals.

Property Management Plan - Activities

If OMAC were to build its own property management team

Compliance

- Ensures compliance with the terms and conditions of all funding sources, including CMHC and the Alberta Housing Partnership Program.

Marketing

- Implements targeted marketing strategies to attract eligible tenants for affordable rental programs.
- Establishes a website and central portal for showcasing available units and facilitating online applications.

Tenant Selections

- Utilizes a fair and transparent screening process, including income verification and background checks, to ensure tenant eligibility.
- Prioritizes applicants based on need, including special considerations for vulnerable populations.

Rent Collection

- Maintenance & Repairs
- Tenant Relations
- Lease Management

Reporting

- Submits compliance reports to CMHC, GoA or any other funding sources.
- Provides periodic updates to the Town of Okotoks, highlighting progress and achievements in meeting the housing mandate objectives.

Property Management Plan - Activities

If OMAC were to contract external property management services

The external property management services would be responsible for:

Compliance

- Ensures compliance with the terms and conditions of all funding sources, including CMHC and the Alberta Housing Partnership Program.

Marketing

- Implements targeted marketing strategies to attract eligible tenants for affordable rental programs.
- Establishes a website and central portal for showcasing available units and facilitating online applications.

Tenant Selections

- Utilizes a fair and transparent screening process, including income verification and background checks, to ensure tenant eligibility.
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Rent Collection

- Maintenance & Repairs
- Tenant Relations
- Lease Management

Reporting

- Submits compliance reports to CMHC, GoA or any other funding sources.
- Provides periodic updates to the Town of Okotoks, highlighting progress and achievements in meeting the housing mandate objectives.

Property Management Plan

Planned approach:

To facilitate a rapid start in managing affordable housing projects, it is recommended that OMAC initially opts for **contracted property management services**. This approach allows OMAC to quickly establish operations and should be pursued with a formal procurement process to ensure transparency and competitiveness.

As OMAC grows and diversifies its portfolio beyond purely affordable housing projects, reaching sufficient economy of scale, it can then consider establishing an in-house property management team. This transition will support expanded control and potentially enhanced cost efficiency within OMAC's broader operational scope.

The selected property management services should effectively meet the objectives of:

1. Ensure long-term sustainability and affordability of housing.
2. Maintain high standards of living and efficient operational management.

During an initial engagement, Westwind Communities, a non-profit organization from High River specializing in the development and management of affordable housing, expressed interest in managing OMAC's affordable rental units. They have extensive experience in small municipalities throughout Alberta and proposed a 10% administration fee on rent for their services. This administration fee rate has been used as the working assumption in financial modeling.

Property Management Plan - Reporting

Both the CMHC and the Government of Alberta mandate periodic reporting to ensure the transparency and accountability of their funded projects. These reporting tasks are required for securing continued funding and normally fall outside the scope of contracted property management services. Even if OMAC opts to use contracted property management services, the responsibility for preparing and managing these compliance reports will remain with OMAC, to ensure adherence to funding requirements during both the construction and operational phases.

Unit and Tenant Data

- Report on micro-level permit data for all residential units.
- Include the number of units allocated for those in core housing need.
- Provide household income and composition by non-market unit.

Compliance and Progress Reporting

- Attestation of compliance with each program's agreement.
- Confirm the completion of initiatives outlined in the action plan and progress towards growth targets.

Financial Reporting

- Detailed account of how funds from programs were utilized.
- Annual statement of revenue and expense for the project, to provide the financial and operational viability.

Occupancy Reporting

- Report on the number and size of units at market rent vs. non-market rental rates.
- Units occupied or unoccupied status updates.

Key Takeaways

Corporate Structure:

- An Executive Director/CEO is essential for leading OMAC, while property and project management will initially be handled on a contract basis. The Town will support OMAC by providing back-office support at a contracted rate of $1 a year. The lean structure results in relatively low initial overhead costs – contributing to immediate stability of OMAC at the outset.

Development Portfolio Management:

- The D'Arcy site is ready for development without requiring rezoning. Other Town owned parcels require rezoning and/or servicing upgrades to support residential development. As such, two hypothetical parcels have been identified in the model for 3-story stacked townhome developments. The D'Arcy site is suitable for a 4-story apartment; however the parcel is not of a sufficient size to kick start OMAC operations.

Post-Construction Activities and Management:

- Post-construction phases involve numerous activities including compliance, marketing, tenant selection, rent collection, maintenance, tenant relations, lease management, and reporting. Contracting property management to a property management service provider alleviates most operational tasks, but OMAC retains responsibility for compliance reporting to CMHC and the Government of Alberta.

Financial Plan

This section analyzes the financial viability of potential projects using land parcels from the redevelopment portfolio and determine the most suitable initial project for OMAC to launch with.

Revenue Models

As OMAC seeks to establish a sustainable operational model, the three revenue models listed below are considered. Each offers unique advantages tailored to different stages of OMAC's development.

A 100% Affordable Rentals
At least 20% below market rate

- Used to solve the relatively more urgent affordable housing supplies issues.
- Building quality and finishes are towards the lower end but still durable.
- Need to be at least operationally and financially viable.
- Can be considered when there is more grant/contribution available from provincial and federal levels.

B Mixed-Rental Model
Affordable + Market Rate

- Enhanced financial viability through diversified revenue stream.
- Reduced risk of non-payment as market rates units are designed for tenants with higher income.
- Promotes a more diverse community, fostering a socially inclusive environment.
- Can be considered when fewer affordable units are needed in the market.

C 100% Commercial
Market Rate or Property Sales

- Used to generate profits, providing funds that can be reinvested in supporting other social housing initiatives.
- Offers flexibility to shift strategies based on market conditions.
- Can be considered when market interest rates are low.

** This revenue model outlines a conceptual idea that requires further analysis as a long-term strategy, and is not analyzed in this business plan, and has no bearing on the conclusions drawn herein.*

Overall Strategy

Turning the Concept of New Affordable Housing into Reality in Okotoks

Establishment and Initial capitalization

Incorporate OMAC: Officially form the organization and set up its legal and operational structure.

Land Transfer: Ensure the transfer of land parcels from the Town to OMAC is completed effectively.

Corporate Structure: Establish the board of directors and recruit an executive director or CEO to lead OMAC.

Secure Funding and Financing for the First Project

Coordinate with Funding Agencies: Engage with CMHC and the Government of Alberta (GoA) to clarify application processes for funding.

Prepare Applications: Ready the documentation and applications for pre-construction funding, and grants and loans for the construction.

Confirm Funding Agreements: Finalize agreements to ensure financial resources are in place for project commencement

Construction

Procurement for Contractors: Implement a procurement process to select general contractors for the build phase or design & build phases.

Contract Project Managers: Engage project managers early to oversee the project from start to finish.

Compliance and Reporting: Maintain regular reporting to funding bodies and stakeholders to ensure transparency and compliance.

Procurement for Property Management Services: Implement a procurement process to select contractors to provide property management services.

Operate the First Affordable Rental Project

Lease-Up Phase: Work with the Property Management Contractors to ensure a quick lease-up stabilization.

Ongoing Compliance and Reporting: Continue to manage necessary compliance reports and updates to CMHC, the GoA and other stakeholders.

Performance and Financial Monitoring: Regularly review operational and financial performance to ensure the project meets its targets and supports OMAC's sustainability and mandates.

2 - 3 Months	6 - 9 Months	24 - 30 Months	3 Months to Stabilization
2024	2025	2026	2027

Selected Revenue Model for the analysis:

A **100% Affordable Rentals**

- The feasibility analysis for the business plan is based on a project offering 100% affordable rental units at prices 20% below market rates, **using average market rates derived from documents provided by Westwind Communities.***
- According to the Government of Alberta's 2023 AHPP guidelines, the weighted average rent can be computed, and it is about 13% below the market rate. Setting rents at 20% below market rate ensures that the project comfortably meets these requirements.
- All three projects in the development plan are tested for financial viability.

**The document provided by Westwind Communities, from which average market rates were taken, is included in Appendix B - Supporting Documents.*

The Projects for Financial Viability Analysis

An Overview of the Three Initial Affordable Housing Developments

The following pages will evaluate the financial viability of three key development plans, assuming they will be developed on the described land parcels. The initial investment for these projects is land transferred from the Town to OMAC. This could include parcels that are ready for immediate development and others that may be used as collateral to secure revolving credit lines, addressing initial cash flow needs.

Project 1:

- Type: 4-story apartment building
- Units: 38
- Density: 40 units per acre (UPA)
- Location: D'Arcy Site

Project 2:

- Type: 3-story stacked townhome
- Units: 110
- Density: 30 UPA
- Location: Hypothetical Site 1

Project 3:

- Type: 3-story stacked townhome
- Units: 20
- Density: 30 UPA
- Location: Hypothetical Site 2

Subsequently, an examination of the overall financial health of OMAC, focusing on how each individual project contributes to covering OMAC's staffing and operational expenses, producing the most suitable project for OMAC to begin with.

Key Financial Assumptions

The assumptions made for constructing the financial model to assess the viability of the projects

Funding Assumptions

- OMAC will be able to meet the eligibility for the federal or provincial programs selected for the projects, and the funding sources will have adequate funding available when OMAC initiates the constructions.
- The eligible funding details from the funding sources are assumed to be accurate, including the amount for the contributions as well as the interest rates for the loans.
- Loans and grants are assumed to be advanced in the beginning of each project.

Construction Assumptions

- Construction costs per square foot, sourced from Altus Group's development guide, are considered accurate and are expected to increase by 2% annually starting in 2024.
- Construction costs account for 75% of the total project costs, which include land values and contingencies.
- Interest only payment during construction.
- The values of hypothetical land parcels have been extrapolated using regression analysis based on land size and land value data provided by Bradford Real Estate Services and are projected to appreciate by 2% annually.

Operation Assumptions

- Operating expenses such as insurance and utilities are obtained from public sources or insurance agents, and they are assumed to be valid for the projected years in the financial model.
- A contract property management company is used and the fees they charge is a percentage of the project revenue.
- A reserve, as a percentage of the total OpEx per project is used.
- Other services including janitorial are considered as a percentage of the rental revenue.

Capital Structure

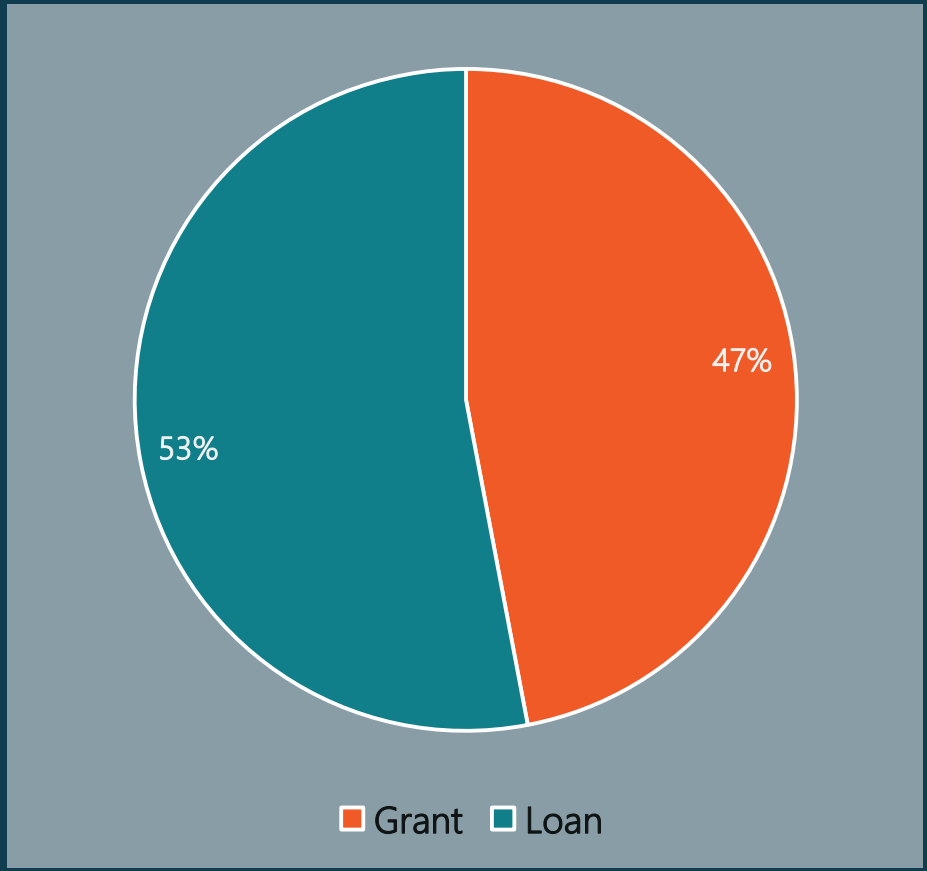
Funding Sources

The project may require funding for the following stages.

	Sources	Amount and Type
Pre-Construction: Funding at this stage supports preliminary activities such as site surveys, environmental assessments, geotechnical reports, and feasibility studies for energy and accessibility.	• CMHC	• Up to $350,000 interest-free loans • Up to $150,000 non-repayable contribution
Construction: This phase includes funding for all construction processes, covering both hard costs (materials and labor) and soft costs (planning, legal, and administrative expenses).	• CMHC • GoA	• Up to 75% of the total cost can be borrowed from CMHC. • Up to $75,000 per door as CMHC's contribution • Up to 1/3 of the total costs as GoA's contribution
Stabilization: During stabilization, funding supports operating activities necessary to achieve target vacancy rates, including initial leasing efforts and ongoing maintenance to ensure the property is fully operational and meets market demands.	None	None

Capital Structure

How each project is funded



Grant (47%)

- Provincial Affordable Housing Partnership Program (AHPP): This program can provide up to one-third of the total project cost as a grant.
- CMHC Affordable Housing Fund: This fund can contribute up to $75,000 per door (More likely $50,000 for OMAC's projects). Based on the CMHC's assessment tool, projects could receive between 14% to 18% of their total costs in contributions.
- Overall Grant Assumption: **Conservatively, it is assumed that each project will receive grants totaling 47% of the project costs.**

Loan (53%)

- CMHC Affordable Housing Loan: This program can offer a low-interest loan covering up to 75% of the project's total cost. The loan terms include a fixed duration of 10 years with an amortization period extending up to 50 years.

Under the AHPP's 2023 Guidelines, the applicant (OMAC) is required to contribute 10% of the project's equity and secure a capital partner (such as the Town or another entity) who will provide at least 5% equity. This contribution can be in the form of cash, land, or other assets.
It is assumed that the combined 15% equity from OMAC and the Town will be provided in the form of land.

Cost Analysis

Components

Project Development Cost	Project Operational Expenses	Administrative Expenses
• Land Cost • Construction Cost • Professional Fees • Insurance Cost • Development Management • Permits and Approvals • Marketing and Leasing • Financing and Interest • Goods and Services Tax • Etc.	• Property Management Fees • Insurance Cost • Utilities including waste, water, natural gas, electricity • Maintenance and Repair • Common area services such as janitorial services, pest control, etc. • Property Taxes • Reserves • Etc.	• Office expenses • Salaries and benefits of staff • Professional fees • Interest expenses • Etc.

Cost Analysis

Assumptions

Project Development Cost

- **Construction Cost:** Assumed to be 75% of the total cost.
  - *Noted that construction costs are categorized into "Minimum," "Base," and "Maximum" to account for varying levels of quality and finishes.*
- **Land Cost:** Land parcels are transferred to OMAC at the fair market value with no additional cost.

Project Operational Expenses

- **Property Management Fees:** Assumed to be 10% of project revenue.
- **Insurance Premiums:** Quoted by HUB and assumed accurate.
- **Utility Spending:** Assumed average; electricity is sub-metered.
- **Maintenance and Repair:** Starts at 1% of revenue in the first lease-up year, increasing by 10% annually, capped at 5% of revenue.
- **Common Area Services:** Assumed to be 2% of rental revenue.
- **Reserves:** 10% of operating expenses are allocated to reserves.

Administrative Expenses

- **Office Expenses:** Start at $2,000 per month, with an annual increase of 2%.
- **Wages:** Based on Glassdoor averages, with an expected increase of 2% per year.
- **Professional Fees:** Assumed to be zero for initial projects.
- **Interest Rates:** Fixed at 4.50% with a 10-year term and 50-year amortization.

Financial Viability Analysis

Key Metrics for OMAC and Individual Projects

The following pages will explore the financial viability of each of the three affordable housing projects, followed by an analysis of OMAC's overall financial health when initiating each of these projects. The analysis is guided by the following key metrics.

- Net Operating Income (NOI) Margin: This metric helps us evaluate the profitability of each project after lease-up stabilization by showing the percentage of income that remains after all operating expenses are accounted for. A higher NOI margin indicates that a larger proportion of the income can be used to cover the debt payments required and potentially cover some of OMAC's overhead expenses.

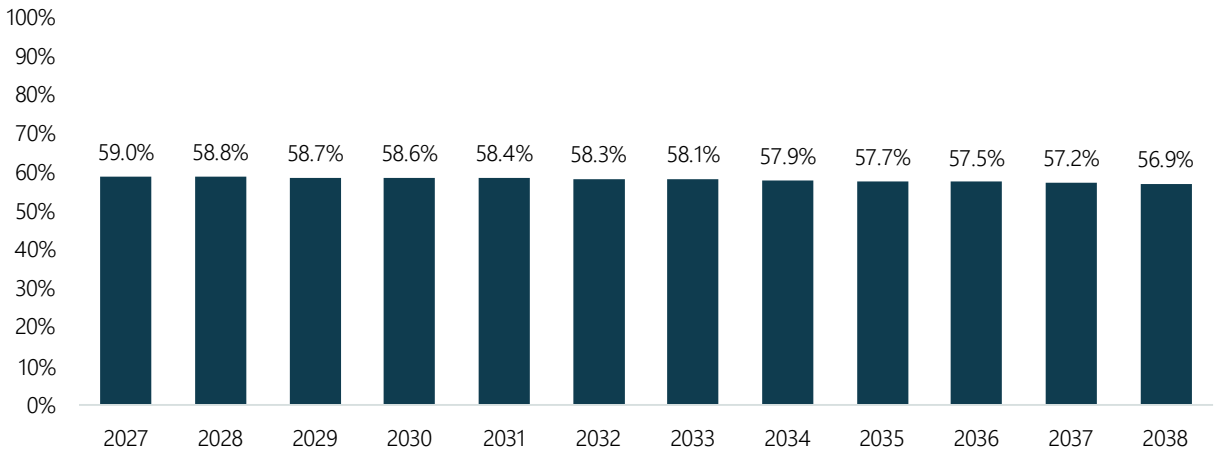
- Debt Service Coverage Ratio (DSCR): DSCR is essential for assessing a project's ability to cover its debt payments. It compares the project's operating income to its debt obligations, providing insight into the risk level associated with the project's financing. Moreover, a DSCR of 1.1 is the minimum threshold required by CMHC to ensure project sustainability and qualify for low-interest loans.

- Cash Flow and Internal Rate of Return (IRR): These metrics are vital for understanding the liquidity and long-term profitability of each project. Cash flow analyses reveal the timing and strength of income streams, while IRR gives the expected rate of growth, reflecting the project's overall financial attractiveness. For this analysis, we assume a 10-year lease-up stabilization period, adding a terminal value at the end for each project. For OMAC, maintaining an IRR above 0% is essential to meet minimum sustainability criteria, with higher IRRs indicating stronger financial health.

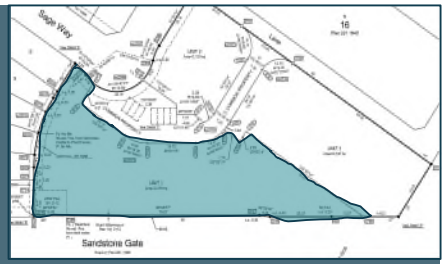
- Operating Profit (EBT): To assess OMAC's financial viability, we focus on Operating Profit, measured as Earnings Before Taxes (EBT). This metric reflects OMAC's total operational profit, considering how the surplus profits from projects contribute to covering OMAC's overhead expenses.

Project 1 Viability – 20% below Average Market Rent

Project 1 NOI Margin

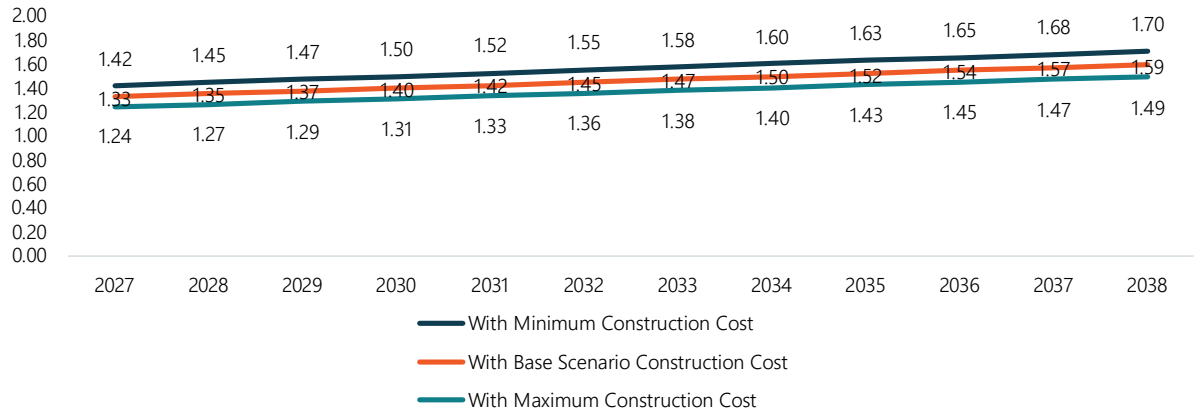


D'Arcy Residential



Given the capital structure and financial assumptions for revenues and costs, Project 1 achieves a Net Operating Margin exceeding 55%. This indicates that over half of the rental income, even with rents set 20% below market rates, is available to service the debt.

Project 1 Debt Servicing Ratio



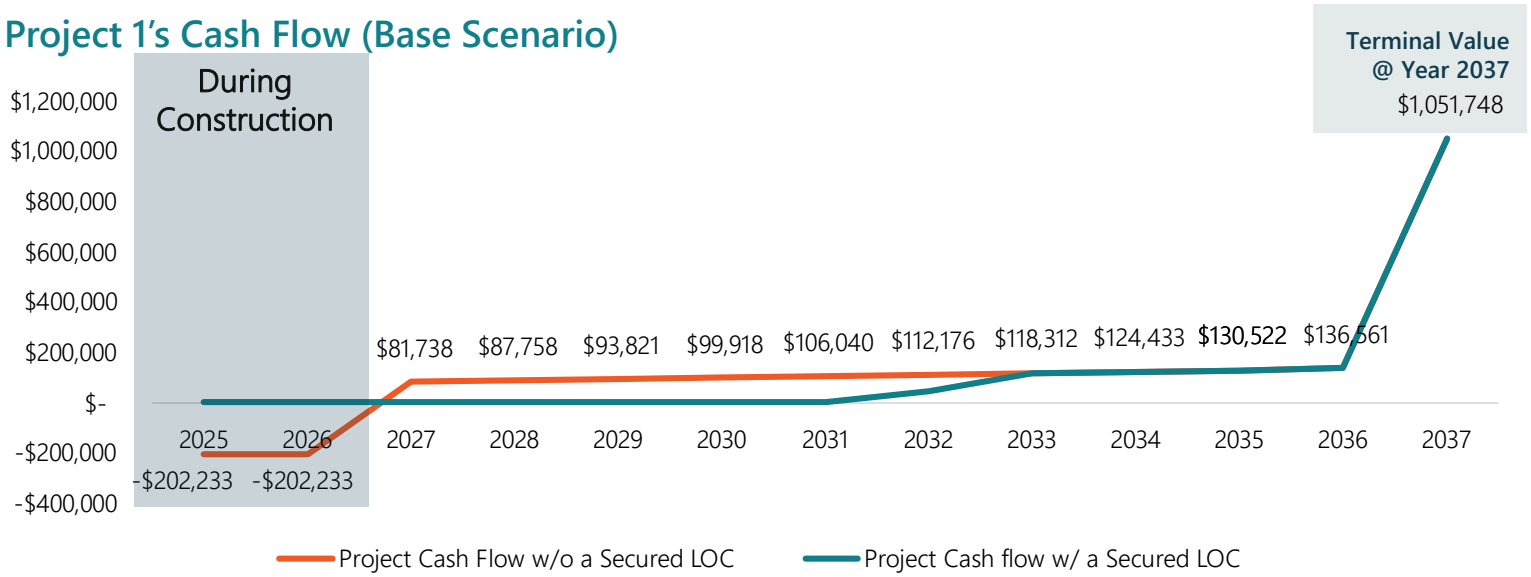
CMHC loans stipulate a minimum Debt Service Coverage Ratio (DSCR) of **1.1**. Project 1, even with rental rates set 20% below market value and considering the highest projected construction costs, will achieve a DSCR exceeding 1.24. This ensures that beyond covering its debt obligations, the project will also contribute to OMAC's overhead expenses

Project 1 Return – 20% below Average Market Rent

Several adjustments and assumptions were made to calculate the project's return:

- The terminal value of the project is calculated at 10 years after project stabilization, using an estimated cap rate of 8%.*
- OMAC will secure a line of credit (LOC at prime) against one of its land assets to finance the initial interest payments on the loan.
- For IRR calculations, the land parcel allocated to the project is treated as the initial investment.

Project 1's Cash Flow (Base Scenario)



The project is assumed to be valued at **$4,991,106.42** at a Cap Rate of **8%.**

Project IRRs are, based on the 3 cost scenarios:

With Min Construction Cost	With Base Scenario	With Max Construction Cost
8.2%	5.1%	1.1%

** The cap rate applied is sourced from Cushman & Wakefield's Canadian Cap Rate Report for Q1 2024, using the midpoint of the reported cap rates for Senior Housing 'B' properties. This approach is deemed conservative*

Project 1 Return – Sensitivity Analysis

The sensitivity Analysis illustrated in the heatmap below highlights that the project's IRR is significantly influenced by CMHC's fixed interest rate and grant contributions. At a fixed annual interest rate of 4.5%, any grant contribution below 45% of the total cost renders the project unsustainable from a return perspective, due to the high construction cost for an apartment project.

The Sensitivity of Project IRR: impact of Interest Rates and Grant Contribution

More Contribution
More Financially Viable

Capital Contribution from Grant

Less Contribution
Less Financially Viable

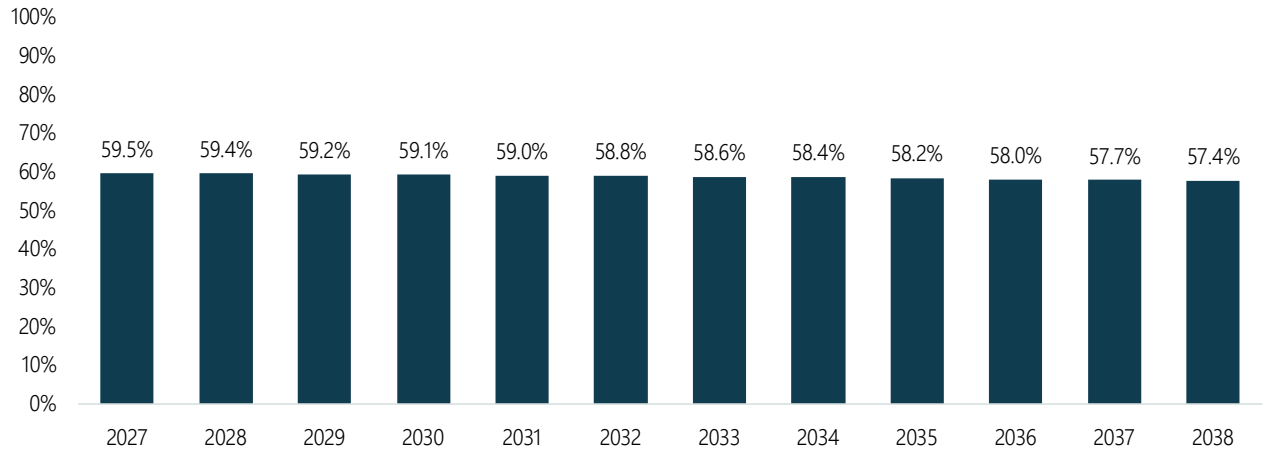
	Interest Rate					
	2.5%	3.5%	4.0%	4.5%	5.0%	5.5%
50%	14.5%	10.7%	8.7%	6.5%	4.1%	1.1%
45%	11.4%	6.6%	3.8%	0.4%	-5.1%	
43%	10.0%	4.5%	1.2%	-3.5%	-18.5%	
40%	7.6%	0.6%	-4.7%	-26.5%		
35%	2.0%	-9.7%				
30%	-1.8%					

Lower Interest
More Financially Viable

Higher Interest
Less Financially Viable

Project 2 Viability – 20% below Average Market Rent

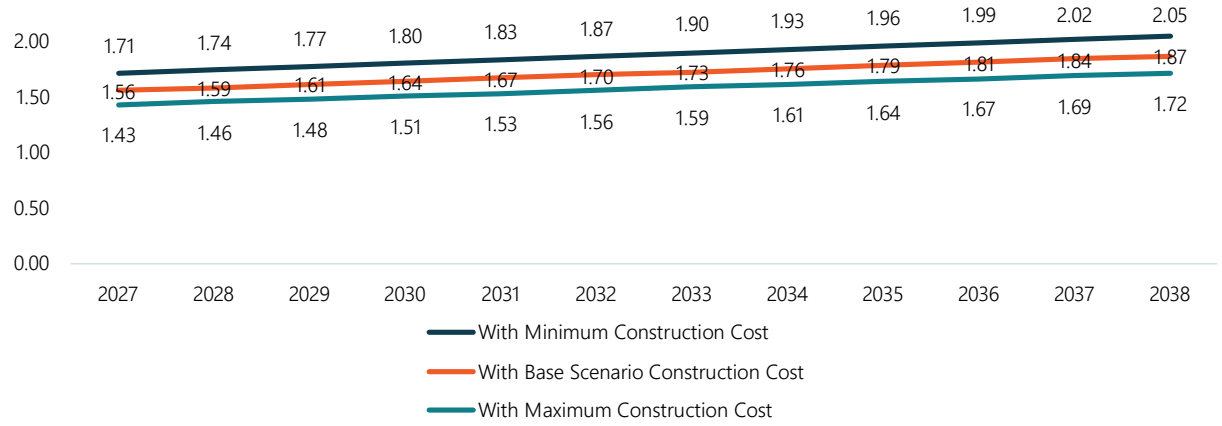
Project 2 NOI Margin



Hypothetical Site 1

Given the capital structure and financial assumptions for revenues and costs, Project 2 also achieves a Net Operating Margin exceeding 55%. This indicates that over half of the rental income, even with rents set 20% below market rates, is available to service the debt.

Project 2 Debt Servicing Ratio



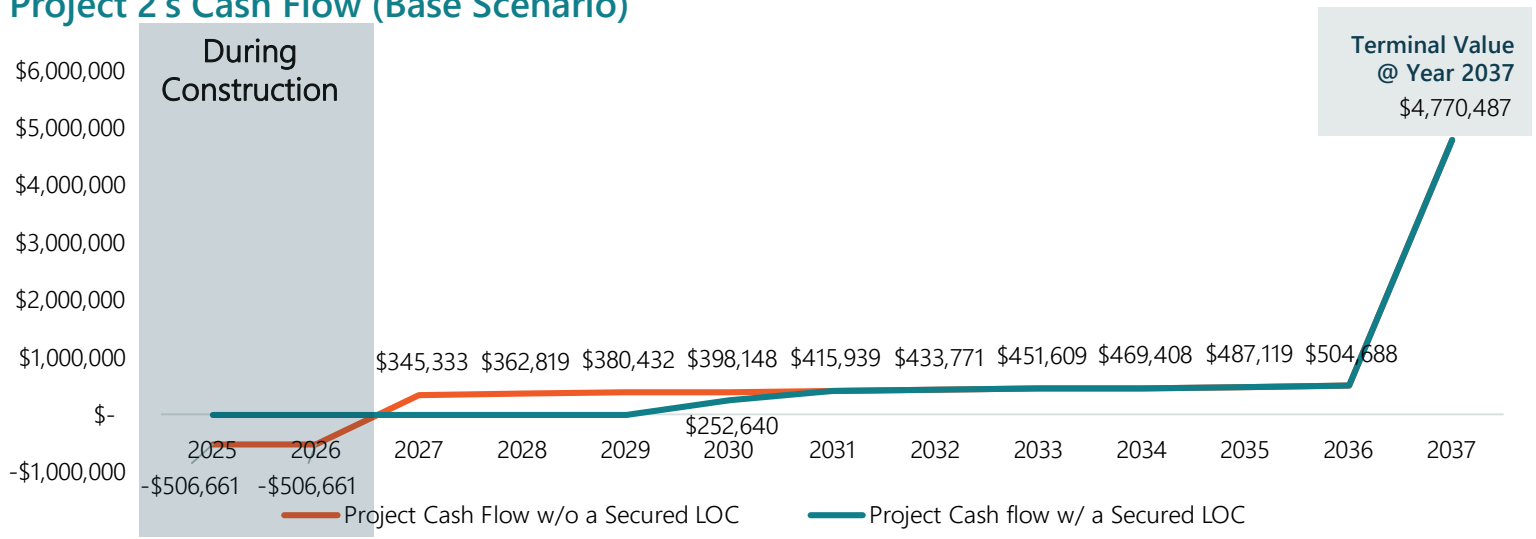
CMHC loans stipulate a minimum Debt Service Coverage Ratio (DSCR) of 1.1. Project 1, even with rental rates set 20% below market value and considering the highest projected construction costs, will achieve a DSCR exceeding 1.43, thanks to the lowered construction cost for stacked townhomes. This ensures that beyond covering its debt obligations, the project will also contribute to OMAC's overhead expenses

Project 2 Return – 20% below Average Market Rent

Several adjustments and assumptions were made to calculate the project's return:

- The terminal value of the project is calculated at 10 years after project stabilization, using an estimated cap rate of 8%.*
- OMAC will secure a line of credit (LOC at prime) against one of its land assets to finance the initial interest payments on the loan.
- For IRR calculations, the land parcel allocated to the project is treated as the initial investment.

Project 2's Cash Flow (Base Scenario)



The project is assumed to be valued at **$14,489,048** at a Cap Rate of **8%.**

Project IRRs are, based on the 3 cost scenarios:

With Min Construction Cost	With Base Scenario	With Max Construction Cost
17.3%	14.4%	11.1%

** The cap rate applied is sourced from Cushman & Wakefield's Canadian Cap Rate Report for Q1 2024, using the midpoint of the reported cap rates for Senior Housing 'B' properties. This approach is deemed conservative*

Project 2 Return – Sensitivity Analysis

The Sensitivity Analysis illustrated in the heatmap below highlights that the project's IRR is significantly influenced by CMHC's fixed interest rate and grant contributions. At a fixed annual interest rate of 4.5%, any grant contribution below 35% of the total cost renders the project unsustainable from a return perspective.

The Sensitivity of Project IRR: impact of Interest Rates and Grant Contribution

More Contribution
More Financially Viable

Capital Contribution from Grant

	Interest Rate					
	2.5%	3.5%	4.0%	4.5%	5.0%	5.5%
50%	23.3%	19.8%	18.1%	16.3%	14.6%	12.8%
45%	21.1%	17.1%	15.1%	13.0%	10.9%	8.7%
43%	20.1%	15.9%	13.7%	11.5%	9.2%	6.6%
40%	18.6%	14.0%	11.6%	9.0%	6.2%	2.7%
35%	15.9%	10.3%	7.2%	3.6%	-1.7%	-20.8%
30%	12.6%	5.4%	0.6%	-8.0%		

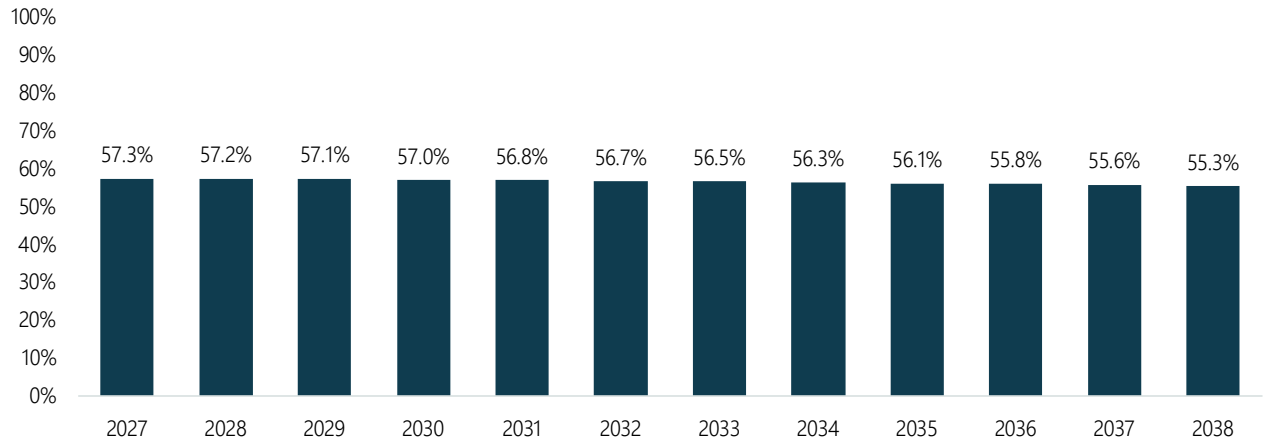
Less Contribution
Less Financially Viable

Lower Interest
More Financially Viable

Higher Interest
Less Financially Viable

Project 3 Viability – 20% below Average Market Rent

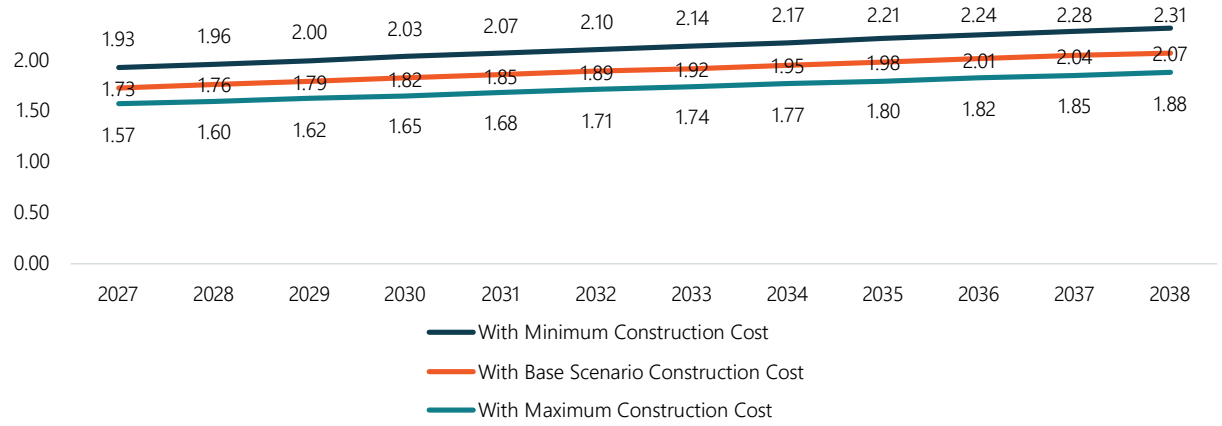
Project 3 NOI Margin



Hypothetical Site 2

Given the capital structure and financial assumptions for revenues and costs, Project 2 also achieves a Net Operating Margin exceeding 55%. This indicates that over half of the rental income, even with rents set 20% below market rates, is available to service the debt.

Project 3 Debt Servicing Ratio



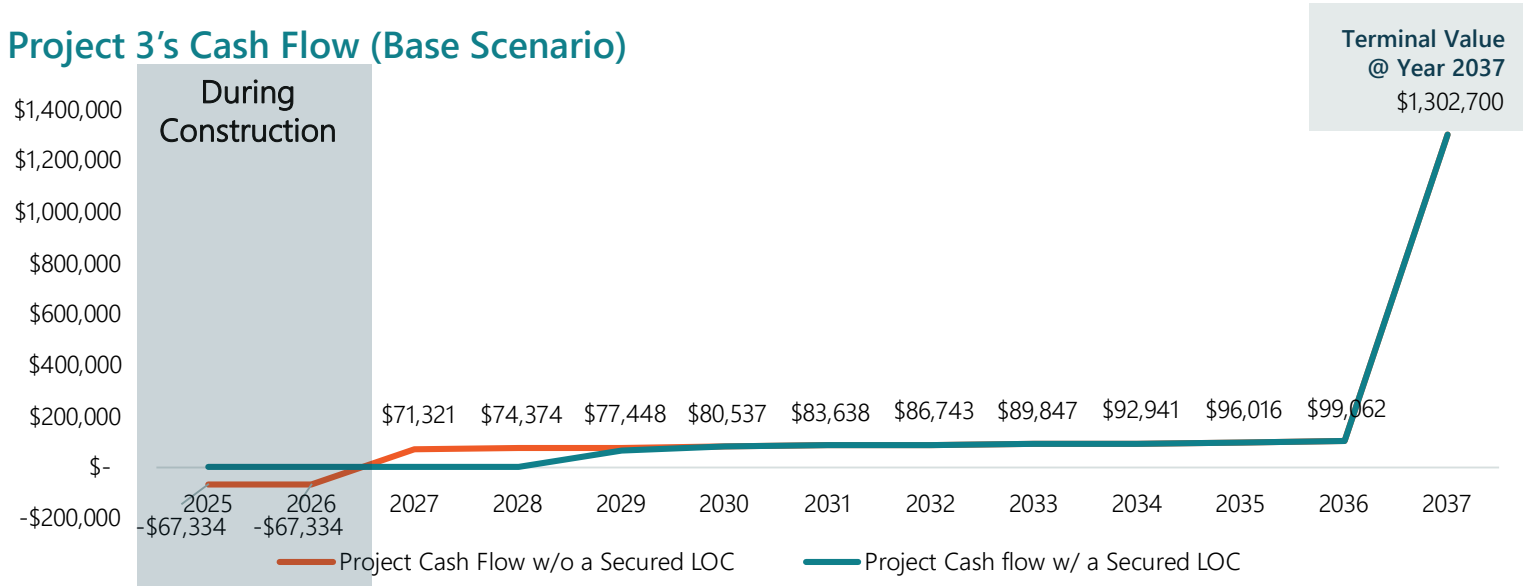
CMHC loans stipulate a minimum Debt Service Coverage Ratio (DSCR) of 1.1. Project 1, even with rental rates set 20% below market value and considering the highest projected construction costs, will achieve a DSCR exceeding 1.57, thanks to the lowered construction cost for stacked townhomes. This ensures that beyond covering its debt obligations, the project will also contribute to OMAC's overhead expenses

Project 3 Return – 20% below Average Market Rent

Several adjustments and assumptions were made to calculate the project's return:

- The terminal value of the project is calculated at 10 years after project stabilization, using an estimated cap rate of 8%.*
- OMAC will secure a line of credit (LOC at prime) against one of its land assets to finance the initial interest payments on the loan.
- For IRR calculations, the land parcel allocated to the project is treated as the initial investment.

Project 3's Cash Flow (Base Scenario)



The project is assumed to be valued at **$2,536,146** at a Cap Rate of **8%.**

Project IRRs are, based on the 3 cost scenarios:

With Min Construction Cost	With Base Scenario	With Max Construction Cost
9.7%	8.0%	6.0%

** The cap rate applied is sourced from Cushman & Wakefield's Canadian Cap Rate Report for Q1 2024, using the midpoint of the reported cap rates for Senior Housing 'B' properties. This approach is deemed conservative*

Project 3 Return – Sensitivity Analysis

The Sensitivity Analysis illustrated in the heatmap below highlights that the project's IRR is significantly influenced by CMHC's fixed interest rate and grant contributions. At a fixed annual interest rate of 4.5%, any grant contribution below 30% of the total cost renders the project unsustainable from a return perspective.

The Sensitivity of Project IRR: impact of Interest Rates and Grant Contribution

More Contribution
More Financially Viable

Capital Contribution from Grant

	Interest Rate					
	2.5%	3.5%	4.0%	4.5%	5.0%	5.5%
50%	12.2%	10.7%	9.9%	9.1%	8.3%	7.5%
45%	10.8%	9.0%	8.1%	7.2%	6.2%	5.2%
43%	10.2%	8.3%	7.3%	6.3%	5.3%	4.2%
40%	9.2%	7.2%	6.1%	5.0%	3.8%	2.5%
35%	7.5%	5.1%	3.8%	2.4%	0.8%	-1.0%
30%	5.6%	2.6%	0.9%	-0.9%	-3.3%	-7.1%

Less Contribution
Less Financially Viable

Lower Interest
More Financially Viable

Higher Interest
Less Financially Viable

Comparative Analysis

The financial metrics of the 3 potential affordable rental projects

	Project 1	Project 2	Project 3
Property Type	4-story apartment	3-story stacked townhome	3-story stacked townhome
# of Units	38	110	20
DSCR for CMHC loan	> 1.24	>1.43	>1.57
Cashflow positive w/ a secured LOC to cover initial interest	5 years after stabilization (7 years from project start)	3 years after stabilization (5 years from project start)	2 years after stabilization (4 years from project start)
IRR – Base Construction Costs	5.1%	14.4%	8.0%

In conclusion, Projects 2 and 3 exhibit higher DSCR, indicating that they will generate proportionally more cash flow relative to their scale compared to Project 1, thereby contributing more effectively to the overhead costs of OMAC. Due to lower construction costs associated with stacked townhomes compared to an apartment project, Projects 2 and 3 also demonstrate higher IRR against the initial land investment and a shorter timeframe to reach cash flow positivity than Project 1. However, given the necessity for a secured LOC to cover initial interest payments on the loans, the prevailing high interest rate environment has impacted the speed at which Project 2 reaches cash flow positivity, taking longer than Project 3.

Assessing OMAC's Financial Viability

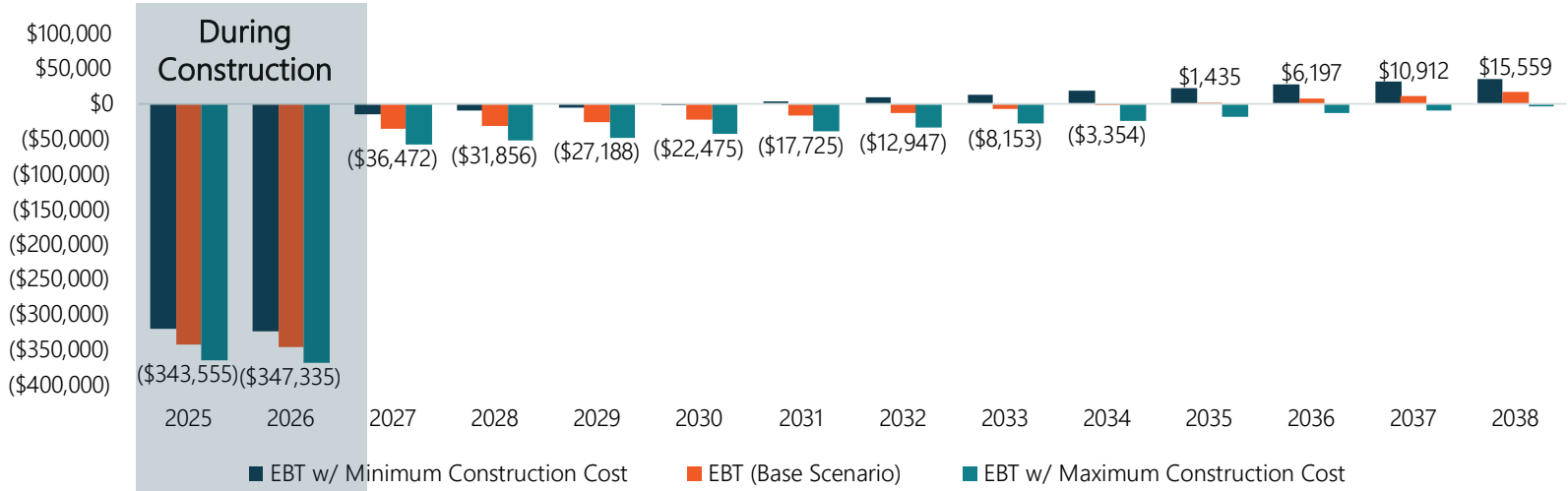
Strategic Financial Planning for OMAC's Launch and Growth

Although each of the 3 projects is viable as a standalone project, the initial project chosen to kickstart operations needs to generate sufficient cash flow to cover the overhead costs of OMAC, ensuring OMAC's sustainable growth and financial health. At the initial stage, these overhead cost could total approximately $124,000 per year, as detailed in the financial model, and include:

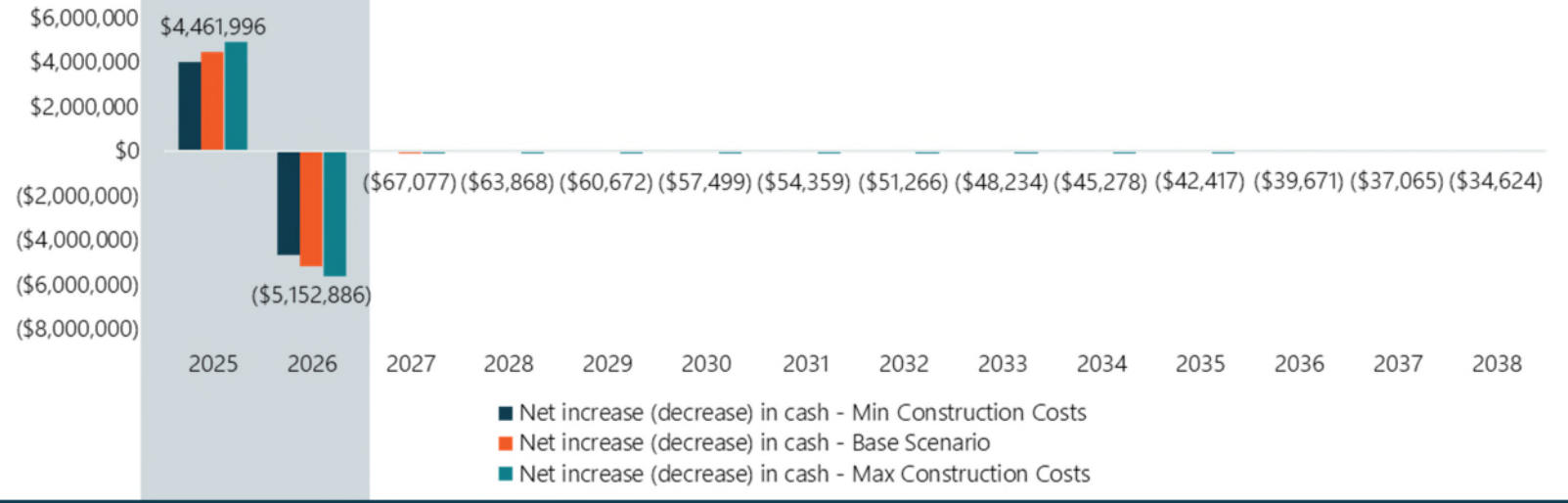
- CEO/Executive Director Role at Startup:
  - OMAC will appoint/hire a CEO with expertise in finance and project management.
  - Key responsibilities include securing funding from CMHC and GoA, overseeing pre-construction activities, and selecting general contractors for projects.
- Initial Support and Resources:
  - The CEO will coordinate with the Town to secure contracted support services for $1 per year during the initial phase.
  - Support services include bookkeeping, human resource, IT, procurement, and other administrative tasks to ensure efficient operation.
- Infrastructure and Operational Costs:
  - OMAC will rent office space to conduct its operations, incurring basic office expenses which are essential for day-to-day activities.
- Expansion and Internalization of Tasks:
  - As OMAC grows and undertakes more projects, it will be positioned to build an internal team to internalize some of these tasks.

OMAC's Financial Viability with Project 1 only

OMAC Operating Profit measured as Earning Before Tax (EBT)



OMAC Cash Flow

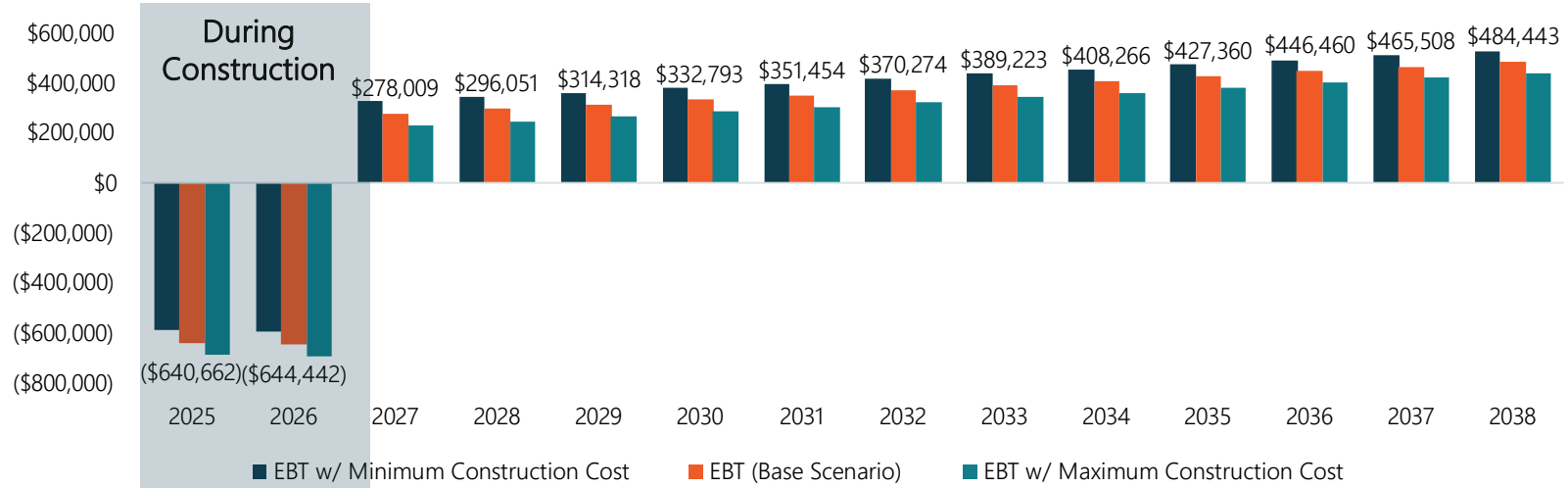


Although Project 1 is financially viable on its own, it is not sufficient to sustain the overhead costs of OMAC if it is the sole project at startup.

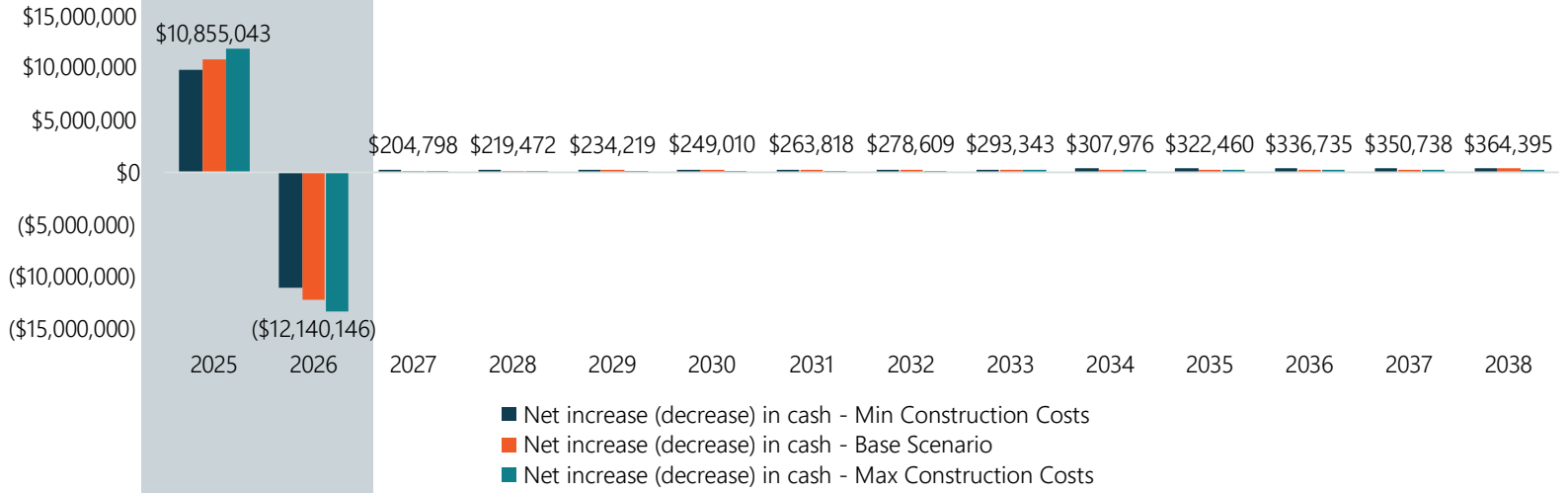
The cash flow from Project 1 alone does not adequately cover the initial expenses of OMAC. Therefore, it should not be selected as the sole initial project to launch OMAC operations.

OMAC's Financial Viability with Project 2 only

OMAC Operating Profit measured as Earning Before Tax (EBT)



OMAC Cash Flow

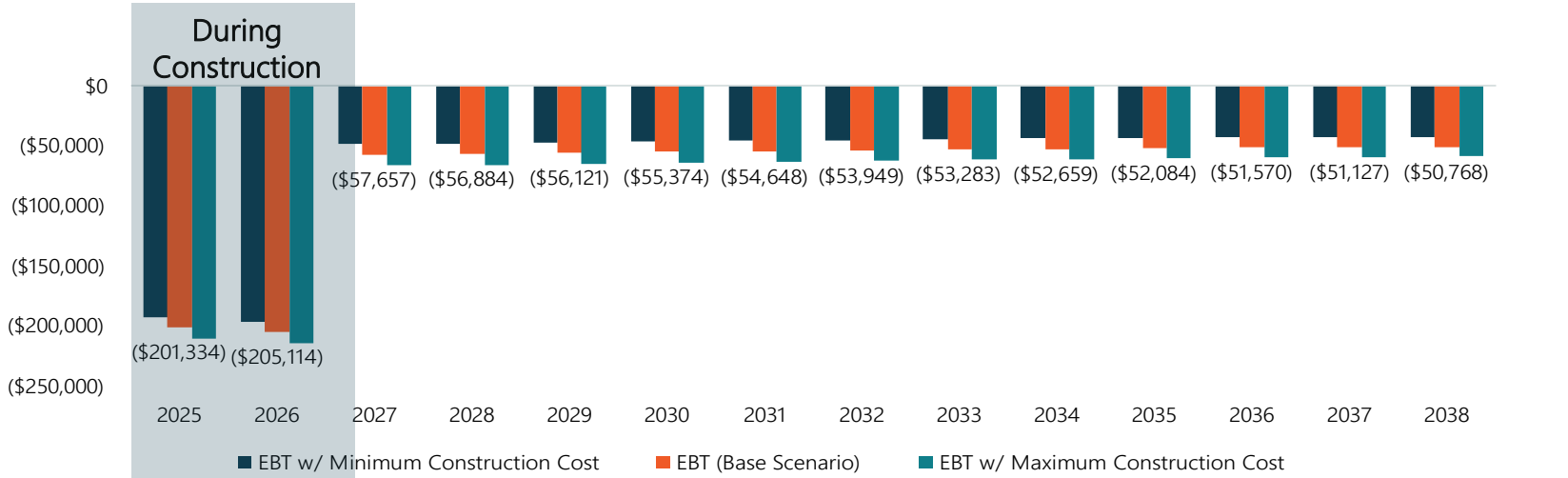


Project 2 can adequately generate sufficient cash flow to cover OMAC's initial overhead costs, thanks to the lower construction costs associated with stacked townhomes and the larger scale of the project.

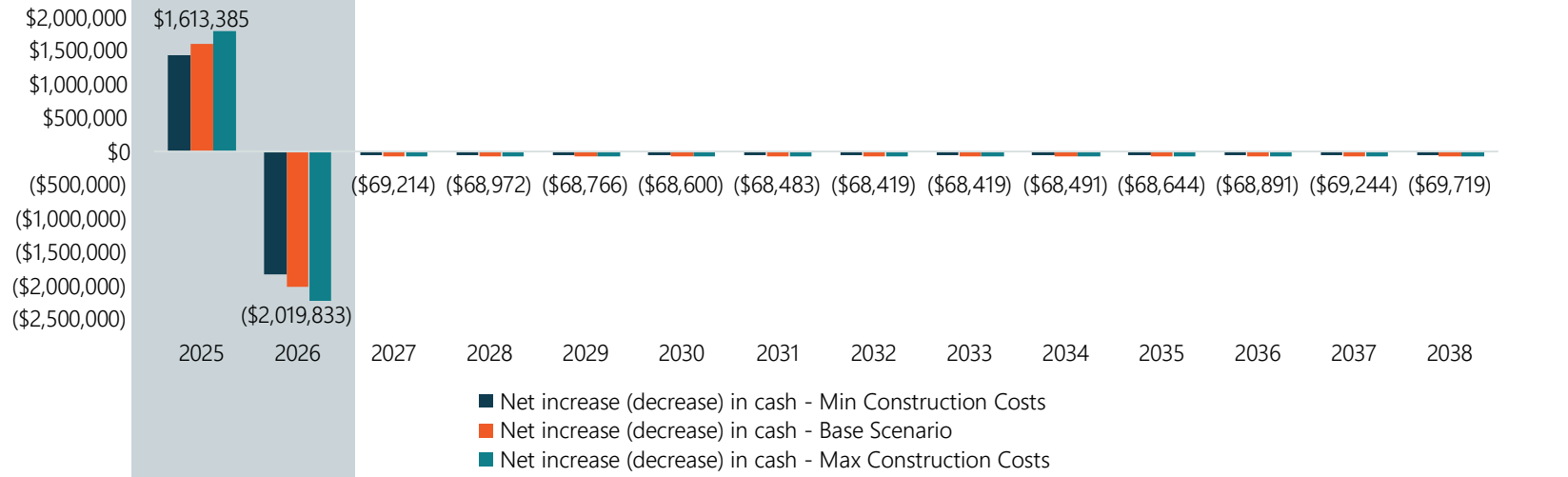
These factors contribute to a more favorable financial outcome, making it a suitable choice to kickstart OMAC's operations.

OMAC's Financial Viability with Project 3 only

OMAC Operating Profit measured as Earning Before Tax (EBT)



OMAC Cash Flow



Project 3, despite also having lower construction costs and the highest DSCR ratio, is not a viable choice to launch OMAC's operations due to its small scale.

This scale limits its ability to generate sufficient cash flow to cover OMAC's overhead costs.

Conclusion from the viability analysis

1. Financial Viability of Each Project:
   - As a 100% affordable rental, each project is financially viable based on current assumptions, which include capital structure, eligibility for funding, construction costs, and other factors.

2. Key Factors Influencing Project Returns:
   - The project returns, which also reflect the capacity to cover OMAC's overhead expenses, are primarily influenced by two factors:
     - Interest Rates: Lower interest rates lead to higher project returns.
     - Grant Contributions: Higher contributions from federal and provincial funding sources increase the project returns.

3. Choosing the Optimal Project for OMAC:
   - While each project is financially viable on its own, the initial project chosen to launch OMAC should optimize for lower construction costs and larger scale, to ensure coverage of overhead expenses and support future growth.

Conclusion from the viability analysis

The table below summarizes the viability analysis of the three individual projects

	Project 1	Project 2	Project 3
Project Viability	Yes	Yes	Yes
OMAC Viability w/ the Project alone	No	Yes	No

- Project 1 and Project 3: While financially viable independently, neither project would generate sufficient cash flow to cover OMAC's overhead costs if chosen as the initial project.
- Project 2: Demonstrates financial viability on its own and ensures sufficient cash flow to support OMAC's initial overhead costs.
- Therefore, Project 2, with 110 units of stacked townhomes on a hypothetical land, is identified as the most suitable project to initiate OMAC's operations. It offers a balance of scale and cost-efficiency, making it the optimal choice for OMAC's launch.

Once established with Project 2, OMAC could then consider integrating the financially viable Projects 1 and 3 into its portfolio. This strategy would enhance the overall financial health of OMAC by contributing additional support to its overhead without risking initial viability.

OMAC's Pro Forma Statements

With the strategic development plan

Following the conclusion to launch OMAC with Project 2 as the initial development, the following pages will detail OMAC's Pro Forma Income Statement and Cash Flow.

This Pro Forma Cash Flow, along with the Pro Forma Income Statement, illustrates the financial impact starting with Project 2 in 2025, which will complete construction and achieve lease-up stabilization by 2027, adding a total of 110 affordable rental units to Okotoks' housing stock.

In 2027, OMAC will begin concurrently developing Projects 1 and 3, with both expected to finalize construction and reach stabilization by 2029, adding a total of 58 more affordable rental units to Okotoks' housing stock.

This phased approach, starting with Project 2, ensures that OMAC is financially viable from the outset. This initial success allows for the subsequent integration of the smaller-scale Projects 1 and 3, enabling OMAC to more effectively meet the growing demand for affordable rental units in the community.

OMAC's Pro Forma Income Statement

With the strategic development plan

OMAC's Pro Forma Income Statement

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Revenue														
Rental Income	$ -	$ -	$ 1,606,904	$ 1,639,042	$ 2,556,968	$ 2,608,107	$ 2,660,270	$ 2,713,475	$ 2,767,744	$ 2,823,099	$ 2,879,561	$ 2,937,153	$ 2,995,896	$ 3,055,813
Residential Services	$ -	$ -	$ 16,069	$ 16,390	$ 25,570	$ 26,081	$ 26,603	$ 27,135	$ 27,677	$ 28,231	$ 28,796	$ 29,372	$ 29,959	$ 30,558
Total Revenue	**$ -**	**$ -**	**$ 1,622,973**	**$ 1,655,432**	**$ 2,582,538**	**$ 2,634,188**	**$ 2,686,872**	**$ 2,740,610**	**$ 2,795,422**	**$ 2,851,330**	**$ 2,908,357**	**$ 2,966,524**	**$ 3,025,855**	**$ 3,086,372**
Cost of Goods/Services														
Property Management Fees	$ -	$ -	$ 162,297	$ 165,543	$ 258,254	$ 263,419	$ 268,687	$ 274,061	$ 279,542	$ 285,133	$ 290,836	$ 296,652	$ 302,585	$ 308,637
Maintenance, Repair and Services	$ -	$ -	$ 48,689	$ 51,318	$ 81,022	$ 85,638	$ 90,713	$ 96,298	$ 102,456	$ 109,253	$ 116,765	$ 125,077	$ 134,285	$ 144,495
Property Taxes	$ -	$ -	$ 75,045	$ 76,546	$ 119,374	$ 121,761	$ 124,196	$ 126,680	$ 129,214	$ 131,798	$ 134,434	$ 137,123	$ 139,865	$ 142,662
Insurance	$ -	$ -	$ 72,414	$ 73,863	$ 121,083	$ 123,504	$ 125,974	$ 128,494	$ 131,064	$ 133,685	$ 136,359	$ 139,086	$ 141,868	$ 144,705
Utilities	$ -	$ -	$ 239,417	$ 244,205	$ 383,918	$ 391,596	$ 399,428	$ 407,416	$ 415,565	$ 423,876	$ 432,353	$ 441,001	$ 449,821	$ 458,817
Onsite Care Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total COGS	**$ -**	**$ -**	**$ 597,863**	**$ 611,475**	**$ 963,650**	**$ 985,918**	**$ 1,008,998**	**$ 1,032,950**	**$ 1,057,840**	**$ 1,083,745**	**$ 1,110,747**	**$ 1,138,939**	**$ 1,168,424**	**$ 1,199,316**
Operating Expenses														
Salaries and Wages	$ 100,000	$ 103,000	$ 105,060	$ 107,161	$ 169,422	$ 172,810	$ 176,267	$ 179,792	$ 183,388	$ 187,055	$ 190,797	$ 194,612	$ 198,505	$ 202,475
Office Rent	$ 24,000	$ 24,480	$ 24,970	$ 25,469	$ 25,978	$ 26,498	$ 27,028	$ 27,568	$ 28,120	$ 28,682	$ 29,256	$ 29,841	$ 30,438	$ 31,047
Interest Expenses	$ 506,662	$ 506,662	$ 832,271	$ 828,904	$ 866,132	$ 860,440	$ 854,486	$ 848,259	$ 841,745	$ 834,932	$ 827,805	$ 820,351	$ 812,553	$ 804,398
Depreciation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer to Reserve Fund	$ -	$ -	$ 59,786	$ 61,148	$ 96,365	$ 98,592	$ 100,900	$ 103,295	$ 105,784	$ 108,374	$ 111,075	$ 113,894	$ 116,842	$ 119,932
Total Operating Expenses	**$ 630,662**	**$ 634,142**	**$ 1,022,087**	**$ 1,022,682**	**$ 1,157,897**	**$ 1,158,340**	**$ 1,158,681**	**$ 1,158,914**	**$ 1,159,037**	**$ 1,159,044**	**$ 1,158,932**	**$ 1,158,698**	**$ 1,158,338**	**$ 1,157,851**
Operating Profit (Base Scenario)	**($630,662)**	**($634,142)**	**$3,023**	**$21,275**	**$460,991**	**$489,930**	**$519,193**	**$548,746**	**$578,545**	**$608,542**	**$638,678**	**$668,887**	**$699,093**	**$729,204**
Project List														
Project 2	Construction		Lease-up stabilization											
Project 1			Construction		Lease-up stabilization									
Project 3			Construction		Lease-up stabilization									

OMAC's primary source of revenue is rent from its affordable housing units. Additional income may be generated from other residential services such as parking, laundry facilities, and potentially other amenities designed to enhance tenant convenience and quality of life.

OMAC's Pro Forma Income Statement

With the strategic development plan

OMAC's Pro Forma Income Statement

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Revenue														
Rental Income	$ -	$ -	$ 1,606,904	$ 1,639,042	$ 2,556,968	$ 2,608,107	$ 2,660,270	$ 2,713,475	$ 2,767,744	$ 2,823,099	$ 2,879,561	$ 2,937,153	$ 2,995,896	$ 3,055,813
Residential Services	$ -	$ -	$ 16,069	$ 16,390	$ 25,570	$ 26,081	$ 26,603	$ 27,135	$ 27,677	$ 28,231	$ 28,796	$ 29,372	$ 29,959	$ 30,558
Total Revenue	**$ -**	**$ -**	**$ 1,622,973**	**$ 1,655,432**	**$ 2,582,538**	**$ 2,634,188**	**$ 2,686,872**	**$ 2,740,610**	**$ 2,795,422**	**$ 2,851,330**	**$ 2,908,357**	**$ 2,966,524**	**$ 3,025,855**	**$ 3,086,372**
Cost of Goods/Services														
Property Management Fees	$ -	$ -	$ 162,297	$ 165,543	$ 258,254	$ 263,419	$ 268,687	$ 274,061	$ 279,542	$ 285,133	$ 290,836	$ 296,652	$ 302,585	$ 308,637
Maintenance, Repair and Services	$ -	$ -	$ 48,689	$ 51,318	$ 81,022	$ 85,638	$ 90,713	$ 96,298	$ 102,456	$ 109,253	$ 116,765	$ 125,077	$ 134,285	$ 144,495
Property Taxes	$ -	$ -	$ 75,045	$ 76,546	$ 119,374	$ 121,761	$ 124,196	$ 126,680	$ 129,214	$ 131,798	$ 134,434	$ 137,123	$ 139,865	$ 142,662
Insurance	$ -	$ -	$ 72,414	$ 73,863	$ 121,083	$ 123,504	$ 125,974	$ 128,494	$ 131,064	$ 133,685	$ 136,359	$ 139,086	$ 141,868	$ 144,705
Utilities	$ -	$ -	$ 239,417	$ 244,205	$ 383,918	$ 391,596	$ 399,428	$ 407,416	$ 415,565	$ 423,876	$ 432,353	$ 441,001	$ 449,821	$ 458,817
Onsite Care Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total COGS	**$ -**	**$ -**	**$ 597,863**	**$ 611,475**	**$ 963,650**	**$ 985,918**	**$ 1,008,998**	**$ 1,032,950**	**$ 1,057,840**	**$ 1,083,745**	**$ 1,110,747**	**$ 1,138,939**	**$ 1,168,424**	**$ 1,199,316**
Operating Expenses														
Salaries and Wages	$ 100,000	$ 103,000	$ 105,060	$ 107,161	$ 169,422	$ 172,810	$ 176,267	$ 179,792	$ 183,388	$ 187,055	$ 190,797	$ 194,612	$ 198,505	$ 202,475
Office Rent	$ 24,000	$ 24,480	$ 24,970	$ 25,469	$ 25,978	$ 26,498	$ 27,028	$ 27,568	$ 28,120	$ 28,682	$ 29,256	$ 29,841	$ 30,438	$ 31,047
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Depreciation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer to Reserve Fund	$ -	$ -	$ 59,786	$ 61,148	$ 96,365	$ 98,592	$ 100,900	$ 103,295	$ 105,784	$ 108,374	$ 111,075	$ 113,894	$ 116,842	$ 119,932
Total Operating Expenses	**$ 630,662**	**$ 634,142**	**$ 1,022,087**	**$ 1,022,682**	**$ 1,157,897**	**$ 1,158,340**	**$ 1,158,681**	**$ 1,158,914**	**$ 1,159,037**	**$ 1,159,044**	**$ 1,158,932**	**$ 1,158,698**	**$ 1,158,338**	**$ 1,157,851**
Operating Profit (Base Scenario)	**($630,662)**	**($634,142)**	**$3,023**	**$21,275**	**$460,991**	**$489,930**	**$519,193**	**$548,746**	**$578,545**	**$608,542**	**$638,678**	**$668,887**	**$699,093**	**$729,204**

Project List

Project 2	Construction					Lease-up stabilization								
Project 1			Construction						Lease-up stabilization					
Project 3			Construction						Lease-up stabilization					

The cost of providing services at OMAC primarily consists of property management-related expenses for each property it owns. These include property management fees, maintenance and repair costs, property taxes (the requisitions portion), insurance premiums to protect against risks, and utilities such as water, hot water, and waste services, with electricity costs typically sub-metered and paid by tenants. Additional operational costs would be required to provide other services, such as janitorial services for maintaining cleanliness in common areas. Notably, onsite care services are not included in the cost estimates for initial projects.

OMAC's Pro Forma Income Statement

With the strategic development plan

OMAC's Pro Forma Income Statement

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Revenue														
Rental Income	$ -	$ -	$ 1,606,904	$ 1,639,042	$ 2,556,968	$ 2,608,107	$ 2,660,270	$ 2,713,475	$ 2,767,744	$ 2,823,099	$ 2,879,561	$ 2,937,153	$ 2,995,896	$ 3,055,813
Residential Services	$ -	$ -	$ 16,069	$ 16,390	$ 25,570	$ 26,081	$ 26,603	$ 27,135	$ 27,677	$ 28,231	$ 28,796	$ 29,372	$ 29,959	$ 30,558
Total Revenue	**$ -**	**$ -**	**$ 1,622,973**	**$ 1,655,432**	**$ 2,582,538**	**$ 2,634,188**	**$ 2,686,872**	**$ 2,740,610**	**$ 2,795,422**	**$ 2,851,330**	**$ 2,908,357**	**$ 2,966,524**	**$ 3,025,855**	**$ 3,086,372**
Cost of Goods/Services														
Property Management Fees	$ -	$ -	$ 162,297	$ 165,543	$ 258,254	$ 263,419	$ 268,687	$ 274,061	$ 279,542	$ 285,133	$ 290,836	$ 296,652	$ 302,585	$ 308,637
Maintenance, Repair and Services	$ -	$ -	$ 48,689	$ 51,318	$ 81,022	$ 85,638	$ 90,713	$ 96,298	$ 102,456	$ 109,253	$ 116,765	$ 125,077	$ 134,285	$ 144,495
Property Taxes	$ -	$ -	$ 75,045	$ 76,546	$ 119,374	$ 121,761	$ 124,196	$ 126,680	$ 129,214	$ 131,798	$ 134,434	$ 137,123	$ 139,865	$ 142,662
Insurance	$ -	$ -	$ 72,414	$ 73,863	$ 121,083	$ 123,504	$ 125,974	$ 128,494	$ 131,064	$ 133,685	$ 136,359	$ 139,086	$ 141,868	$ 144,705
Utilities	$ -	$ -	$ 239,417	$ 244,205	$ 383,918	$ 391,596	$ 399,428	$ 407,416	$ 415,565	$ 423,876	$ 432,353	$ 441,001	$ 449,821	$ 458,817
Onsite Care Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total COGS	**$ -**	**$ -**	**$ 597,863**	**$ 611,475**	**$ 963,650**	**$ 985,918**	**$ 1,008,998**	**$ 1,032,950**	**$ 1,057,840**	**$ 1,083,745**	**$ 1,110,747**	**$ 1,138,939**	**$ 1,168,424**	**$ 1,199,316**
Operating Expenses														
Salaries and Wages	$ 100,000	$ 103,000	$ 105,060	$ 107,161	$ 169,422	$ 172,810	$ 176,267	$ 179,792	$ 183,388	$ 187,055	$ 190,797	$ 194,612	$ 198,505	$ 202,475
Office Rent	$ 24,000	$ 24,480	$ 24,970	$ 25,469	$ 25,978	$ 26,498	$ 27,028	$ 27,568	$ 28,120	$ 28,682	$ 29,256	$ 29,841	$ 30,438	$ 31,047
Interest Expenses	$ 506,662	$ 506,662	$ 832,271	$ 828,904	$ 866,132	$ 860,440	$ 854,486	$ 848,259	$ 841,745	$ 834,932	$ 827,805	$ 820,351	$ 812,553	$ 804,398
Depreciation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer to Reserve Fund	$ -	$ -	$ 59,786	$ 61,148	$ 96,365	$ 98,592	$ 100,900	$ 103,295	$ 105,784	$ 108,374	$ 111,075	$ 113,894	$ 116,842	$ 119,932
Total Operating Expenses	**$ 630,662**	**$ 634,142**	**$ 1,022,087**	**$ 1,022,682**	**$ 1,157,897**	**$ 1,158,340**	**$ 1,158,681**	**$ 1,158,914**	**$ 1,159,037**	**$ 1,159,044**	**$ 1,158,932**	**$ 1,158,698**	**$ 1,158,338**	**$ 1,157,851**
Operating Profit (Base Scenario)	**($630,662)**	**($634,142)**	**$3,023**	**$21,275**	**$460,991**	**$489,930**	**$519,193**	**$548,746**	**$578,545**	**$608,542**	**$638,678**	**$668,887**	**$699,093**	**$729,204**

Project List

Project 2	Construction		Lease-up stabilization											
Project 1			Construction		Lease-up stabilization									
Project 3			Construction		Lease-up stabilization									

OMAC's operating expenses are mainly composed of overhead expenses, interest expenses on the loans that finance the projects, and contributions to a reserve fund for future property repairs and maintenance. Additionally, when OMAC starts to operate more than one project and generates sufficient operating income, it is anticipated that a full-time program coordinator will be hired to offload compliance reporting and other key administrative functions from the executive director/CEO.

OMAC's Pro Forma Cash Flow

With the strategic development plan

OMAC's Pro Forma Cash Flow

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cash Flow From Operations														
Earnings Before Tax	($630,662)	($634,142)	$3,023	$21,275	$460,991	$489,930	$519,193	$548,746	$578,545	$608,542	$638,678	$668,887	$699,093	$729,204
Cash Flow From Financing Activities														
Proceeds from Long-term Debt	$11,259,149	$0	$6,344,266	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Repayment of Long-term debt	$0	$0	($73,212)	($76,578)	($123,782)	($129,474)	($135,427)	($141,655)	($148,169)	($154,982)	($162,109)	($169,563)	($177,360)	($185,516)
Government contributions	$11,732,261	$0	$7,373,790	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revolving Credit (Secured LoC) - Net	$0	$1,264,803	($1,321,086)	$1,446,578	($337,209)	($360,456)	($383,766)	($407,091)	($286,032)	($12,728)	($566)	($25)	($1)	($0)
Cash Flow From Investing Activities														
Purchase of PP&E	($11,495,704)	($11,495,704)	($6,859,028)	($6,859,028)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net increase (decrease) in cash	**$10,865,043**	**($10,865,043)**	**$5,467,753**	**($5,467,753)**	**$0**	**$0**	**$0**	**$0**	**$144,344**	**$440,831**	**$476,003**	**$499,299**	**$521,731**	**$543,688**

Project List

Project 2	Construction				Lease-up stabilization									
Project 1			Construction						Lease-up stabilization					
Project 3			Construction						Lease-up stabilization					

1. It is assumed that CMHC loans and grant contributions are disbursed at the start of the project.
2. Interest-only payments are made on fixed-rate CMHC loans during the construction period.

OMAC's Pro Forma Cash Flow

With the strategic development plan

OMAC's Pro Forma Cash Flow

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cash Flow From Operations														
Earnings Before Tax	($630,662)	($634,142)	$3,023	$21,275	$460,991	$489,930	$519,193	$548,746	$578,545	$608,542	$638,678	$668,887	$699,093	$729,204
Cash Flow From Financing Activities														
Proceeds from Long-term Debt	$11,259,149	$0	$6,344,266	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Repayment of Long-term debt	$0	$0	($73,212)	($76,578)	($123,782)	($129,474)	($135,427)	($141,655)	($148,169)	($154,982)	($162,109)	($169,563)	($177,360)	($185,516)
Government contributions	$11,732,261	$0	$7,373,790	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revolving Credit (Secured LoC) - Net	$0	$1,264,803	($1,321,086)	$1,446,578	($337,209)	($360,456)	($383,766)	($407,091)	($286,032)	($12,728)	($566)	($25)	($1)	($0)
Cash Flow From Investing Activities														
Purchase of PP&E	($11,495,704)	($11,495,704)	($6,859,028)	($6,859,028)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net increase (decrease) in cash	**$10,865,043**	**($10,865,043)**	**$5,467,753**	**($5,467,753)**	**$0**	**$0**	**$0**	**$0**	**$144,344**	**$440,831**	**$476,003**	**$499,299**	**$521,731**	**$543,688**

Project List

Project 2	Construction				Lease-up stabilization									
Project 1			Construction						Lease-up stabilization					
Project 3			Construction						Lease-up stabilization					

Development costs are assumed to be evenly distributed over the two-year construction period, with 50% of the costs allocated to investing activities each year.

OMAC's Pro Forma Cash Flow

With the strategic development plan

OMAC's Pro Forma Cash Flow

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cash Flow From Operations														
Earnings Before Tax	($630,662)	($634,142)	$3,023	$21,275	$460,991	$489,930	$519,193	$548,746	$578,545	$608,542	$638,678	$668,887	$699,093	$729,204
Cash Flow From Financing Activities														
Proceeds from Long-term Debt	$11,259,149	$0	$6,344,266	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Repayment of Long-term debt	$0	$0	($73,212)	($76,578)	($123,782)	($129,474)	($135,427)	($141,655)	($148,169)	($154,982)	($162,109)	($169,563)	($177,360)	($185,516)
Government contributions	$11,732,261	$0	$7,373,790	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revolving Credit (Secured LoC) - Net	$0	$1,264,803	($1,321,086)	$1,446,578	($337,209)	($360,456)	($383,766)	($407,091)	($286,032)	($12,728)	($566)	($25)	($1)	($0)
Cash Flow From Investing Activities														
Purchase of PP&E	($11,495,704)	($11,495,704)	($6,859,028)	($6,859,028)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net increase (decrease) in cash	**$10,865,043**	**($10,865,043)**	**$5,467,753**	**($5,467,753)**	**$0**	**$0**	**$0**	**$0**	**$144,344**	**$440,831**	**$476,003**	**$499,299**	**$521,731**	**$543,688**

Project List

Project 2	Construction				Lease-up stabilization									
Project 1			Construction						Lease-up stabilization					
Project 3			Construction						Lease-up stabilization					

1. Revolving credit lines (the Secured Line of Credit (LOC) obtained to cover initial interest-only payments and some initial overhead costs during construction) are subject to variable interest rates, set at the Prime Rate. This rate is calculated as the Bank of Canada (BoC) overnight rate plus 2.2 percentage points, based on forecasts from TD Economics.
2. The revolving credit balance will be repaid as soon as OMAC achieves a positive cash position.

Key Financial Plan Takeaways

Selected Revenue Model: 100% Affordable Rental

Funding Opportunities

- Significant funding is available from both federal and provincial governments to support affordable housing development. These funding sources could cover more than 47% of the total project costs through grants and enable OMAC to secure up to 75% of the total cost as a low-interest loan with a 10-year fixed rate. This level of financial support is key for ensuring the financial viability of the affordable housing projects.

Project Viability

- All three projects modelled, which are designed to offer 100% affordable rental units at 20% below market rent, demonstrate potential financial viability. However, this viability is contingent upon two critical factors: the interest rates on borrowed funds and the level of grant contributions from federal and provincial sources.

Strategic Project Selection for Launching OMAC

- Choosing the right initial project is essential, as project viability alone does not guarantee OMAC's overall financial health due to organizational overhead. Project 2, comprising 110 units of stacked townhomes, is identified as the most suitable for launching OMAC's operations due to its large land size, which allows for more units, and its relatively lower construction costs compared to a MURB project, as stacked townhome projects do not require extensive common areas and amenities. Starting with this project allows for effective integration of smaller-scale Projects 1 and 3, and potentially more projects, depending on market demands and the strategic use of additional available parcels.

Selected Revenue Model for the analysis:

B Mixed-Rental Model Hypothetical land

Mixed-Rental Model:

- Enhanced financial viability through diversified revenue stream.
- Reduced risk of non-payment as market rates units are designed for tenants with higher income.
- Promotes a more diverse community, fostering a socially inclusive environment.
- Can be considered when fewer affordable units are needed in the market.

Mixed-Rental Model Assumptions:

- 50% of rentals are 100% Affordable Rentals (at least 20% below market rate).
- 50% of rentals are at market rate.

Flexible Input Assumptions:

- Different land sizes can be assumed, impacting the respective financial data accordingly.

Current Data Assumptions:

- Land size: 1.5 acres
- Townhome composition: 40% 2-bedroom units, 60% 1-bedroom units
- Units per acre (UPA): 30
- Total number of units: 45
- Hypothetical land value: $1,341,519
- 95% of the total cost, including the land value, is borrowed.
- 5% of the total cost (approximately $510,592) is contributed by a hypothetical equity partner.

Key Financial Plan Takeaways

Selected Revenue Model: Mixed-Rental Model

Land and Capital Impact Viability

- With the mixed-rental model, both the size of the land and the amount of capital contribution significantly impact OMAC's ability to achieve positive annual cash flow. Larger land parcels and higher capital contributions help OMAC achieve positive cash flow more quickly. Specifically, a scenario with a land parcel of around 1.5 acres and only 5% capital contribution will not reach positive cash flow. However, with a larger parcel of 2 acres, despite the same percentage of capital contribution, the absolute amount of investment increases due to higher total costs, enabling OMAC to achieve positive cash flow by year 9.

Reduced Affordable Units Offering

- It is important to note that under the mixed-rental revenue model, which comprises 50% affordable units, the contribution to increasing the stock of affordable housing in the market is effectively halved compared to a model with 100% affordable units. Therefore, strategic decisions regarding the utilization of the Town's land portfolio and capital investment are key for optimizing both the financial performance and the social impact of OMAC.

Detailed financial analysis can be found in Appendix C.

Risk Analysis

This section will examine key aspects including Development Risk and Asset Management Risk, identifying specific challenges of each. Additionally, the section will analyze Okotoks' current position within the housing market cycle to understand how it should manage the market shift.

This section will also provide an assessment using a risk heat map, which will plot identified risks based on their impact and likelihood levels, providing a visualization of potential threats to the projects.

Development Risks

Completion Risk & Cost Overruns

Completion risk refers to the potential for a project to experience delays in its timeline, often due to unforeseen factors such as regulatory hurdles, contractor issues, or unexpected site conditions. Cost overruns occur when the actual costs of the project exceed the initial budget estimates, which can be caused by price inflation, changes in project scope, or inefficiencies in execution.

Potential Implications:

Both completion risks and cost overruns can have significant financial and operational implications. Delays can defer the realization of revenue from rental units, affecting cash flow and financial stability. Cost overruns may require additional funding, which can dilute project returns and strain budgets.

Permits & Entitlements

This risk involves the potential difficulties in obtaining necessary permits and entitlements from local governments or regulatory bodies. The process can be complex and time-consuming, involving compliance with zoning laws, environmental regulations, and other statutory requirements.

Potential Implications:

Delays or failures in securing permits and entitlements can stall or even halt a project, affecting OMAC's timeline and budget for delivering affordable housing. Such issues can also tarnish OMAC's reputation as an effective housing provider, potentially impacting future projects and funding opportunities with CMHD or the GoA.

Market Shift

Market shift risk refers to changes in the real estate market conditions while the development is in progress. Since real estate development is typically a lengthy process, fluctuations in market demand, interest rates, or housing policies during this period can alter the project's profitability and viability.

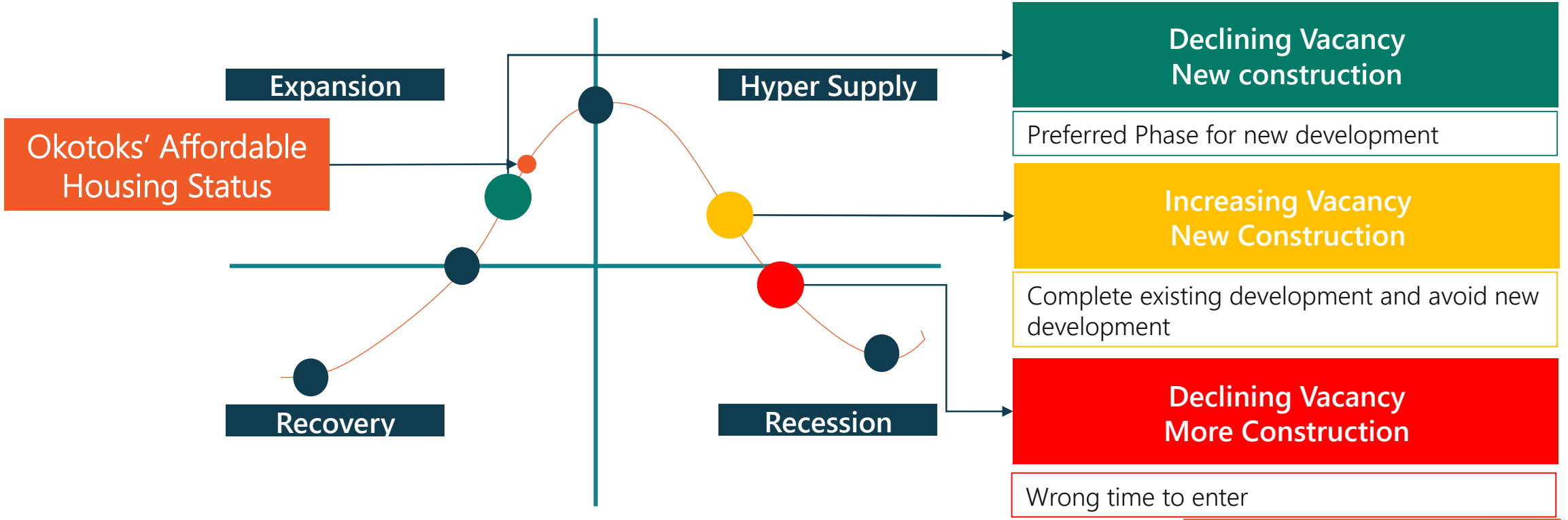
Potential Implications:

A negative shift in the market can reduce the value of the completed units or affect the affordability ratio, making it harder to fill units or achieve the projected rental income.

Market Cycle - Timing

Timing the market can help manage the risk of Market Shift

To manage the risk of market fluctuations, it's important to assess Okotoks' position in the housing market cycle prior to entry. While several Canadian housing markets have begun to show signs of a slowdown, attributed to elevated construction costs, high interest rates, and a rapid increase in supply, Okotoks' residents continue to face challenges with unaffordable rent. Additionally, the availability of affordable homes and purpose-built rental properties remains limited due to persistently low vacancy rates.



Asset Management Risks

MNP

Tenant Quality

This risk involves challenges associated with tenant selection, retention, and management. Ensuring a stable and reliable tenant base, handling tenant turnover, and dealing with late payments or non-payment of rent are common issues.

Potential Implications:

Poor tenant management can lead to increased vacancy rates, reduced rental income, and higher operational costs due to frequent repairs or legal disputes. It can also impact the social objectives of providing stable, affordable housing.

Maintenance and Upkeep Risk

This risk pertains to the ongoing need for maintenance and repairs to keep the property in good condition and compliant with all safety and habitability standards. Failing to adequately maintain the property can lead to larger, more costly repairs and decreased property value over time.

Potential Implications:

Neglecting regular maintenance can result in higher long-term costs and could potentially make the housing less desirable to tenants. It can also result in regulatory non-compliance, leading to fines or restrictions on the use of the property.

Compliance Risk with Funding Requirements

Compliance risk in the context of securing and maintaining funding from CMHC and the AHPP involves the necessity to adhere strictly to the guidelines and requirements set by these funding bodies. This includes meeting all specified conditions related to project financing, energy efficiency standards, affordability metrics, and intended social outcomes.

Potential Implications:

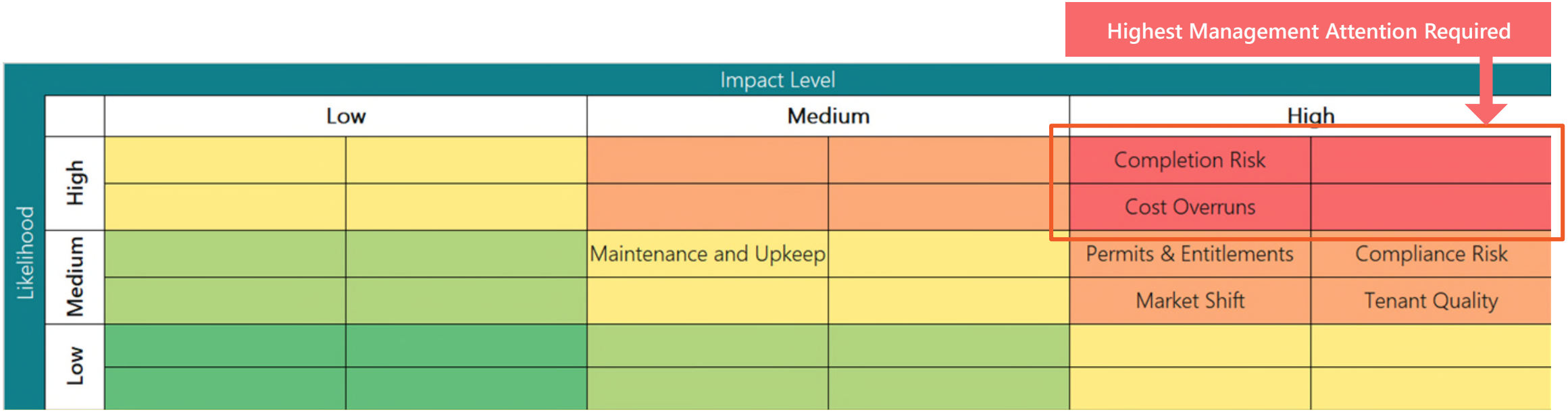
Non-compliance can severely impact OMAC's financial stability and future project viability by forcing immediate financial liabilities and limiting future funding opportunities. It also risks legal complications and damages to OMAC’s reputation, crucial for ongoing community support and operational success.

Risk Analysis

Evaluating the impact and probability level of each risk is pivotal to the project's overall success. This systematic assessment allows us to prioritize and allocate resources effectively, ensuring that the most significant threats are addressed proactively.

Risks	Impact	Likelihood
Completion Risk & Cost Overruns	High	High
Permits & Entitlements	High	Medium
Market Shift	High	Medium
Tenant Quality	High	Medium
Maintenance and Upkeep	Medium	Medium
Compliance Risk	High	Medium

When risks are mapped into a heat-map matrix, it is quickly evident where Management and Board / Executive involvement needs to be. It is expected that OMAC will practice effective enterprise risk management per below.



Risk Treatment

The following table outlines the treatment options for each identified risk in the development and operation phases of OMAC's projects. Each risk is addressed with a strategic approach that includes accepting, mitigating, transferring, or avoiding the risk, with clear roles defined for implementation

Risk	Treatment Option	Strategy Description	Responsible Party
Completion Risk and Cost Overruns	Mitigate	Implement stringent project management practices and regular review milestones to control costs and timelines. Use fixed-price contracts where possible.	Project Manager
Permits & Entitlement	Transfer	Engage legal and regulatory experts to manage permitting processes and ensure compliance, transferring the risk to specialized consultants.	Legal Team
Market Shift	Accept	Monitor market trends and adjust project strategies as necessary. Acceptance reflects understanding of market volatility as a part of real estate development.	Executive Director / CEO
Tenant Quality	Mitigate	Establish stringent tenant screening processes and ongoing engagement programs to ensure relatively higher-quality tenant pool.	Property Management Services Providers
Maintenance and Upkeep	Mitigate	Develop a comprehensive maintenance plan that schedules regular upkeep and addresses issues promptly to prevent deterioration and ensure tenant satisfaction.	Property Management Services Provider
Compliance Risk	Avoid	Ensure strict adherence to all regulatory requirements throughout each phase of the project.	Project Manager (Development Phase) Property Management Services Providers (Lease-up Stabilization Stage)

Key Risk Management Takeaways

Project Completion and Cost Overruns:

- Given their high likelihood and high impact, cost overruns and project delays shall be mitigated through strict project management and fixed-price contracts where possible, to safeguard the budget and schedule.

Market, Compliance, Tenant Quality, and Permit & Entitlement Risks:

- While market risks, compliance risks, tenant quality, and permits pose significant threats, they can be effectively managed with the right controls in place.
- Proper timing in the market cycle and stringent tenant selection procedures can mitigate some risks, though these remain higher for affordable rentals compared to market rentals.

Maintenance and Upkeep:

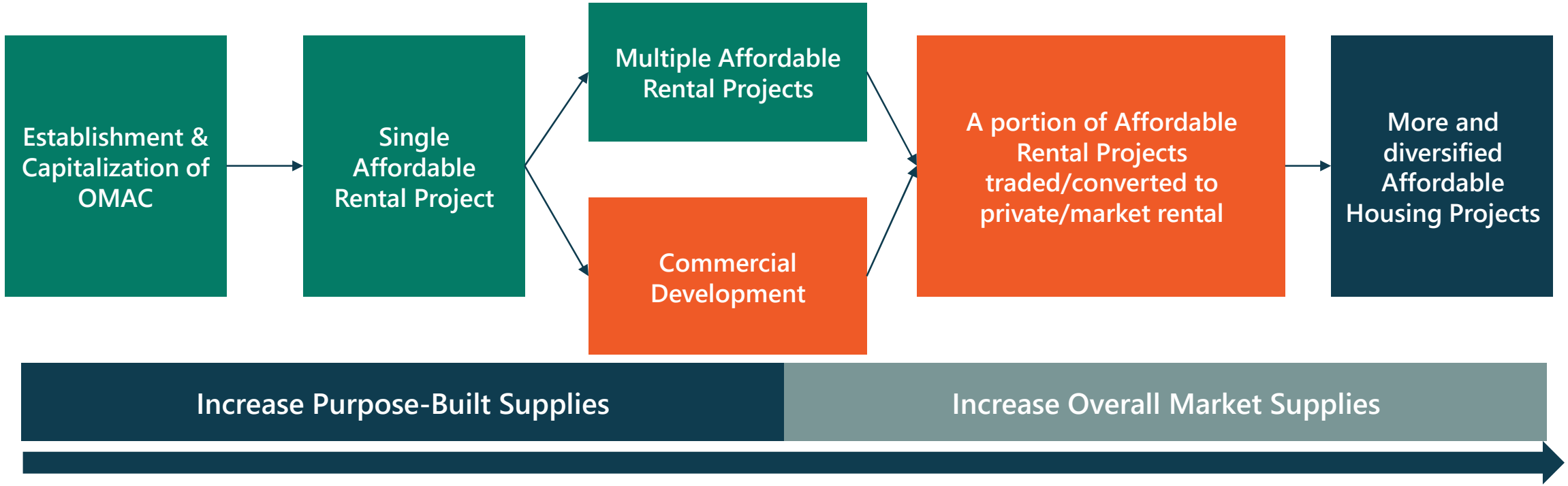
- Regular maintenance and upkeep are essential yet manageable tasks that should not be overlooked.
- While these tasks are not overly difficult or costly, consistent attention is necessary to prevent expensive repairs in the future.

Implementation Plan

This section outlines OMAC's long-term goals and provides a roadmap for achieving them. It also outlines the implementation steps for the near-term projects to launch OMAC’s operations.

Goals / Road Map

The success of OMAC depends on its ability to reach the long-term objectives. OMAC will initiate its mission with individual affordable rental projects, progressively expanding to multiple housing and commercial developments. Successful projects may evolve into market rentals or be sold to fund further housing initiatives. Ultimately, OMAC aims to not only fulfill the town's affordable housing needs but also stabilize the local housing market, establishing a significant presence in the community's development landscape.



Implementation Plan

Establish OMAC and Start Construction

1 Council Support and Community Support

- Gain council support to proceed with the project.
- Conduct public engagement to gather input and build community support.

2 Establishment of OMAC

- Complete the incorporation process to formally establish OMAC.
- Set up the OMAC board and hire the Executive Director / CEO.

3 Pre-Construction Activities

- Conduct rezoning if applicable to ensure the land is ready for development.
- Secure grants, funding, and financial support from various sources.

4 Design and Construction Phase

- Issue an RFP for the design and build phases or opt for a design-build approach.
- Oversee the construction period, ensuring compliance with timelines and budgets.

Implementation Plan (continued)

Property Management and Future Project Planning

5 Property Management

- Concurrently with construction, issue an RFP for property management services.
- Commission the new housing projects, completing all necessary inspections and approvals.

6 Tenant Selection & Onboarding

- Use pre-defined income and household size guidelines to identify qualifying tenants.
- Begin onboarding tenants into the new units, managing leases and initial move-ins.

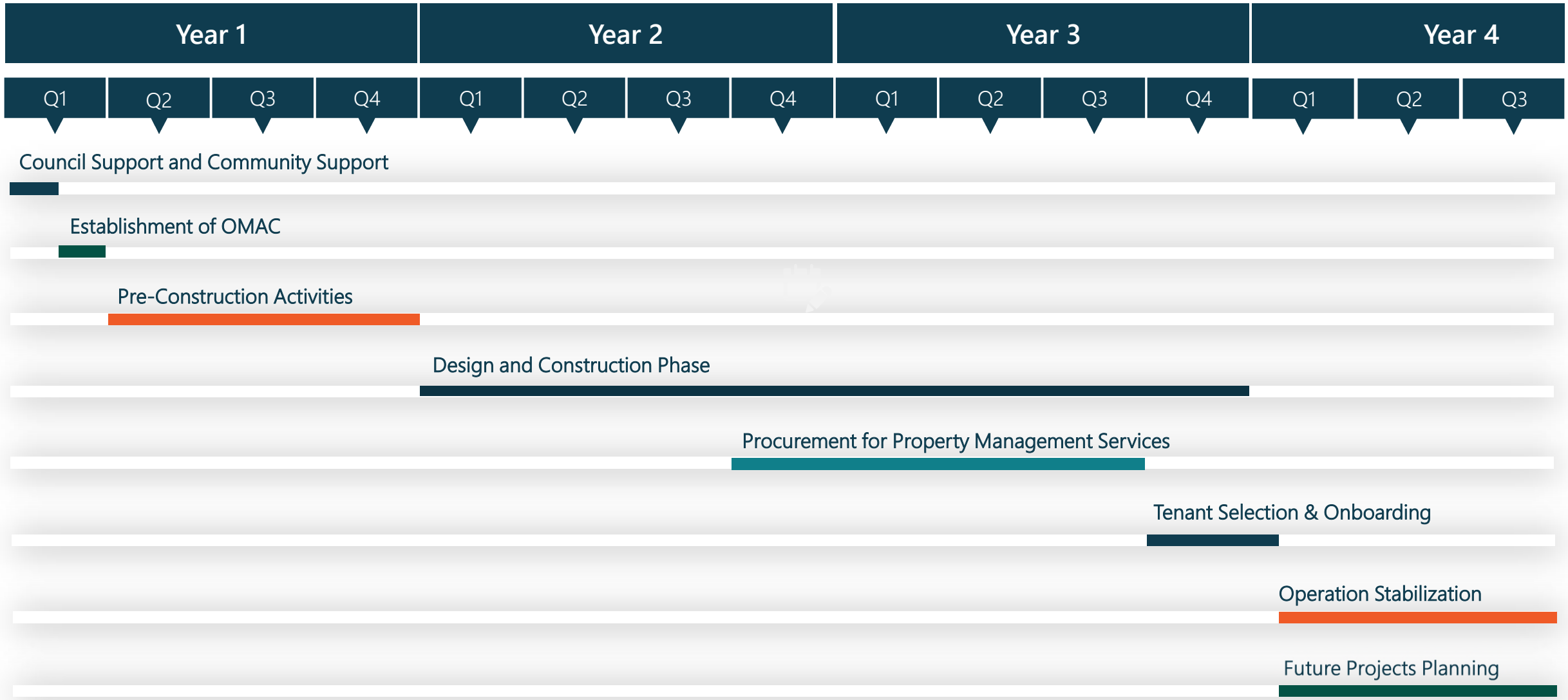
7 Operational Stabilization

- Monitor operations to reach revenue normalization, where operational income and expenses are balanced.
- Enter a stabilization period to ensure the project reaches positive cash flow.

8 Planning for Future Projects

- Assess the project's success and use lessons learned to plan the "earliest" timing for the next housing project, aiming to expand OMAC's portfolio of affordable housing.

High-Level Implementation Plan



Conclusions & Next Steps

Key takeaways

1

Plan A: Each project in Plan A is financially viable as a 100% affordable rental (20% below market rental rates) under current assumptions, including capital structure and funding eligibility. Land parcels of similar size or greater to Hypothetical Site 1, combined with a stacked townhome setup, could be the most suitable choice for launching operations, as they offer lower construction costs and a larger scale, ensuring OMAC covers overhead costs and supports future growth.

Plan B: Offers a mix of affordable and market-rate housing. It carries risks, such as potential vacancies in market-rate units and the cost of debt. This approach can help achieve affordable housing but involves inherent financial risks and requires thorough market analysis.

Plan C: Offers 100% Commercial-market rate housing, it requires further analysis and is out of scope. While it could generate high revenue, it takes longer to achieve affordable housing by commercializing first and using future profits for future affordable housing.

2

Although the assumptions used for grant amounts and interest rates are conservative—anticipating less grant funding than expected and slightly higher interest rates—it is essential to confirm these figures with CMHC and the GoA at the time of application. The project's return and its ability to support OMAC's overhead depend on these financial parameters. Finalizing these numbers will provide a more accurate sense of financial sustainability.

3

Managing project completion risks and cost overruns is essential, as they directly determine the financial viability of projects; additionally, entering the market at an optimal time in the housing cycle is crucial to manage market risks and avoid downturns.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Appendix A

Impact from CMHC's MMR

Funding programs such as AHPP utilize the CMHC's Median Market Rate (MMR) to determine eligibility for project applicants. For instance, the AHPP 2023 guidelines stipulate that at least 10% of rental units must be priced at 60% of the CMHC's MMR for Okotoks. Although CMHC does not publicly release MMR data for Okotoks, CMHC provided the MMR they internally use. The following table compares the CMHC's MMR with average market rents provided by Westwind Communities.

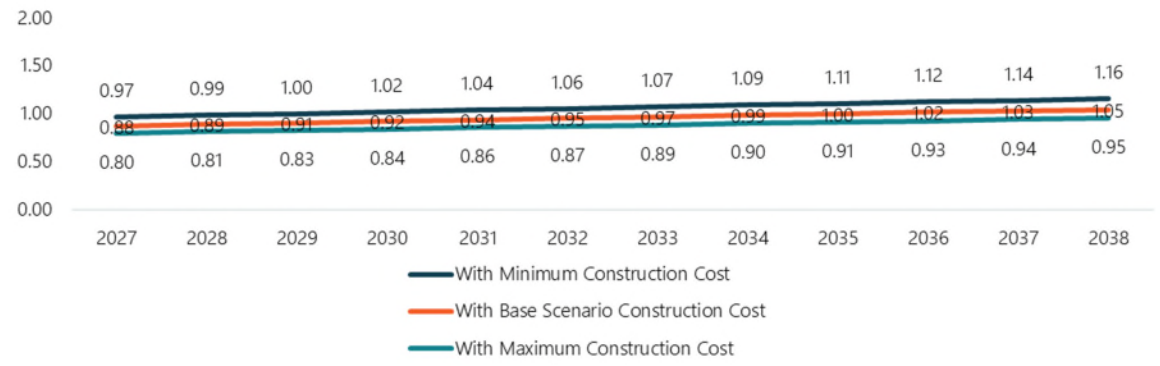
# of Bedrooms	Average Market Rate by Westwind	CMHC MMR for Okotoks	Difference
1	$ 1,250	$ 1,055	-16%
2	$ 1,675	$ 1,200	-28%
3	$ 1,954	$ 1,250	-36%

The MMRs utilized by CMHC are considerably lower than the average market rates. CMHC derives these median market rates from its primary rental market surveys. However, due to the small size of the primary rental market in Okotoks, the data collected by CMHC may be statistically unreliable. Thus, it is necessary to validate the project's feasibility using these rates.

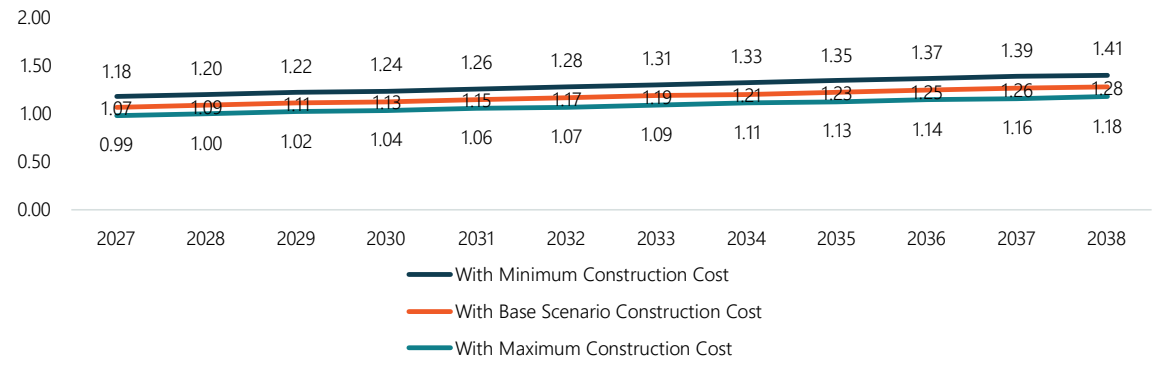
Appendix A

Impact from CMHC's MMR

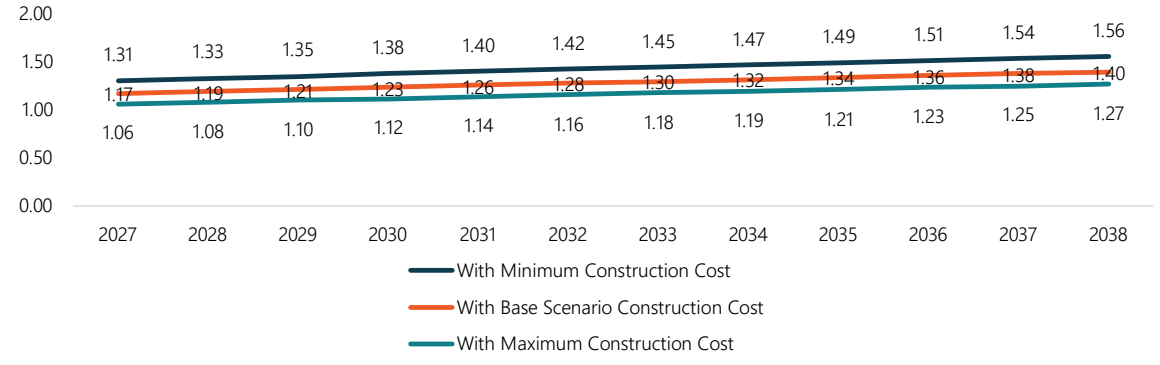
Project 1 Debt Servicing Coverage Ratio w/ CHMC's MMR



Project 2 Debt Servicing Coverage Ratio w/ CHMC's MMR



Project 3 Debt Servicing Coverage Ratio w/ CHMC's MMR

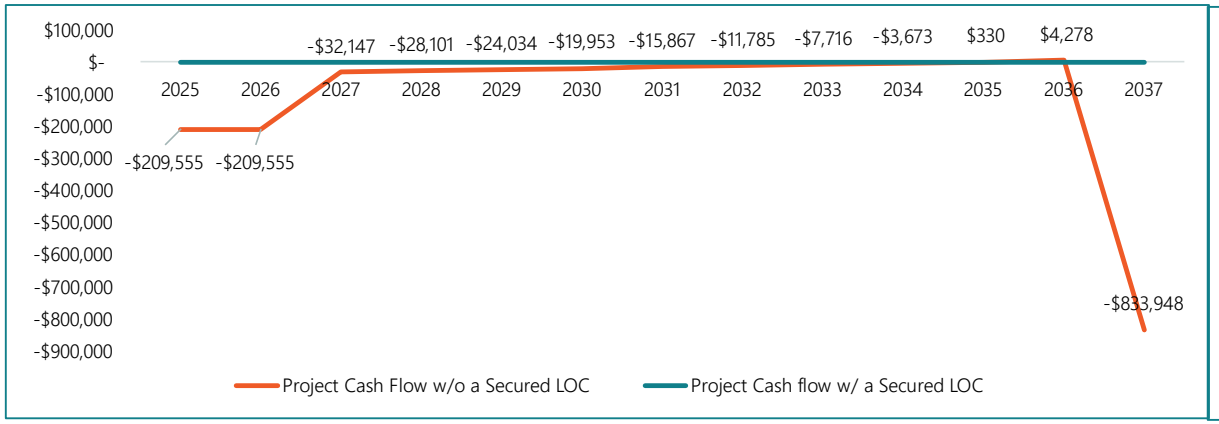


If rental rates are set at 20% below CMHC's MMR, the projects struggle to meet CMHC's minimum DSCR requirement of 1.1. The exception is Project 3, where its smaller scale and lower construction cost make the land transferred from the Town to OMAC a significant portion of the total cost, enhancing its financial feasibility.

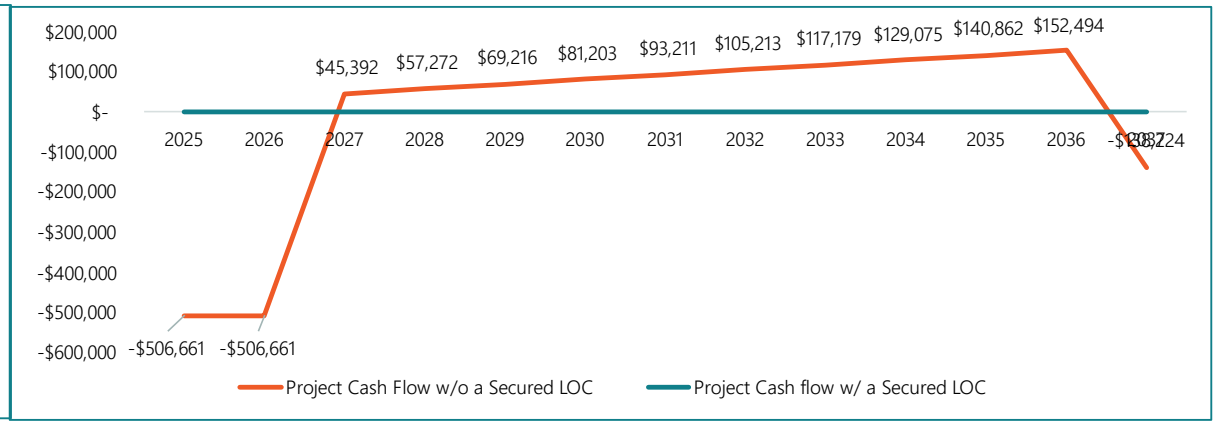
Appendix A

Impact from CMHC's MMR

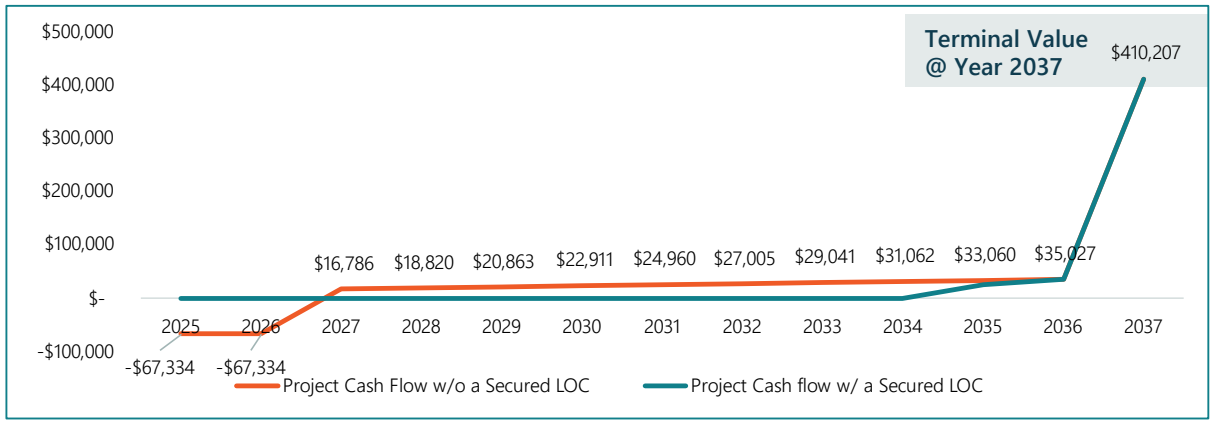
Project 1 Cash Flow under Base Scenario w/ CHMC's MMR



Project 2 Cash Flow under Base Scenario w/ CHMC's MMR



Project 3 Cash Flow under Base Scenario w/ CHMC's MMR



If rental rates are set at 20% below CMHC's MMR, projects 1 and projects 2 will not achieve cash flow positivity.

Only Project 3, due to its higher proportion of land value relative to the total cost, can generate a positive return when rates are set 20% below CMHC's MMR.

Appendix A

Conclusion of the financial viability for the Projects and OMAC using CMHC's MMR

Since Projects 1 and 3 have already been deemed unsuitable for OMAC's launch, reducing their Net Operating Incomes (NOIs) would only worsen their prospects. Project 2, identified as the only suitable option for OMAC's initial launch at the average rental rate, must maintain its financial viability. If Project 2 becomes financially unviable, it too would become unsuitable for launch, as the financial viability of the project is a prerequisite for OMAC's initiation. The table below compares the viability of the three projects when rental rates are set at 20% below CMHC's MMR:

	Project 1 – D'Arcy Site	Project 2 – Hypothetical	Project 3 – Hypothetical
Project Viability	No	No	Yes
OMAC Viability w/ the Project alone	No	No	No

Appendix B – Supporting Documents

Developer/Builder Interview Guide

Key Informant Interviews
Developers/Builders

Name of Interviewee	
Role	
Municipality	
Phone Number or Email	
Interview Date	

Introduction

The Town of Okotoks had directed the administration to look into establishing an arms-length municipally controlled corporation that would be named Okotoks Municipal Asset Corporation (OMAC). The entity's initial focus would be focused on the development and implementation of new affordable housing in the town with a mandate of being financially independent from the town.

While the OMAC model could provide significant benefits such as service delivery agility and focused mandate execution, there are potential challenges such as financial sustainability, governance and operational effectiveness that must also be considered.

Recognizing your experience and expertise in residential real estate development, we seek to gather your perspectives, evaluate the potential financial and logistical aspects, and gauge the broader community implications of this initiative.

BACKGROUND

1. Can you provide an overview of any recent low-rise development projects you've completed, including the scope, budget, and timelines from initial planning through to the construction completion?

COST ASPECTS

2. Could you provide the average or optimal market price for land suitable for developing a 5-story residential purpose-built rental in Alberta, expressed in $ per square foot (or square metre or acre/hectare)?

3. Could you provide us a range of the construction cost on a per square foot (or square metre) basis for a low-rise purpose-built residential rental building? (Including labour and material)

4. How do you estimate the costs associated with permits, legal fees, and other regulatory requirements? *[Prompt: either a flat rate range or as a percentage of the overall project cost]*

5. Can you provide examples of unexpected costs that arose in previous projects and how they were managed? What is a good practice for budgeting for contingency? 5%? 10%? Other%?

6. Are there any phases of the project that tend to be particularly time or cost-intensive?

7. Could you provide insights on the current availability and cost trends of builders, skilled labour, and building materials in Okotoks? How about Calgary? How do these factors influence the planning, budgeting, and timely execution of such developments?

FINANCIAL MANAGEMENT

8. Considering the diverse financing structures available for real estate development, how would you compare the risks and benefits of funding structures like joint ventures, debt financing, equity financing, or public-private partnerships (PPPs) for purpose-built rental projects?

9. In projects where a partner provides land as equity, how is the value of the land typically assessed / valued, and how does it influence the project's overall economic viability?

10. What are the primary risks associated with developing a 5-story residential apartment, and how do you manage these risks?

11. Given the existence of federal programs offering financial incentives or support for housing development, how do these programs affect the viability and strategy for your purpose-built rental projects? Can you discuss the influence of such programs on your project's financial modeling, occupancy rate targets, lease-up expectations, and overall long-term returns? *[Prompt: what is the preferred occupancy rate and a lease-up period for such projects?]*

PROJECT & CLIENT ENGAGEMENT

12. The Town has several land parcels that could be available for development into affordable rental properties. Which arrangement(s), if any, would you be interested in participating in such a development? And why?
    a. Developer-Led: You, as the developer, take full control of the project. OMAC agrees to provide the land under favourable terms. In return and as part of the land agreement terms, a specific percentage of the units developed would be designated as affordable rental units (i.e. 20% below market) for a minimum predefined period.
    b. OMAC-Led: OMAC retains full control and contracts the development / construction work to a company like yours
    c. Equity Partnership: OMAC contributes the land as equity, sharing both risks and rewards of the development.
    d. Other: Please specify any alternative arrangements that you think could be viable.

RECOMMENDATIONS & COMMENTS

13. What other additional information, insights, or recommendations do you have that you believe would be valuable for us to consider?

Appendix B – Supporting Documents

Property Manager Interview Guide

Key Informant Interviews
Rental/Housing Management

Name of Interviewee	
Role	
Municipality	
Phone Number or Email	
Interview Date	

Introduction

The Council of the Town of Okotoks has directed the administration to explore the establishment of an arms-length municipally controlled corporation that would be named Okotoks Municipal Asset Corporation (OMAC). The entity's initial focus would be focused on the development and implementation of new affordable housing in the town with a mandate of being financially independent from the town.

While the OMAC model could provide significant benefits such as service delivery agility and focused mandate execution, there are potential challenges such as financial sustainability, governance and operational effectiveness that must also be considered.

Recognizing your involvement in the current subsidized housing programs, we seek to gather your perspectives to help us evaluate the potential financial and logistical aspects and gauge the broader community implications of this initiative.

BACKGROUND

1. In your experience as a property manager, has the demand for rental units changed over the past few years?

2. Could you provide an overview of the different types of rental units you currently manage in Okotoks, specifically focusing on non-market affordable housing? How many of each type do you manage?

3. What are the current rental rates for your non-market affordable housing units? How are these rates determined, and how often are they reviewed or adjusted?

4. What's the occupancy rate or vacancy rate so far? Has there been a challenge keeping up with the targeted occupancy rate? Additionally, in the event of an unexpectedly low vacancy rate, what strategies or measures would you / do you implement to address this situation?

5. Is there a waitlist for these housing units, and if so, could you provide information on the range of waiting times applicants might expect, from the shortest to the longest?

OPERATIONS

6. Could you explain the application process for potential tenants interested in non-market affordable housing units offered? What criteria are used to determine eligibility and prioritize applicants for your non-market affordable housing units?

7. How do you ensure fairness and transparency in the application and selection process for these units? [If there is a waiting list]: How is the waitlist managed?

8. If you were approached to provide services for the management of a similar property, could you please outline your fee structure? Specifically, what would be the cost, and how is it determined? [prompt: do you have a 'per door' average cost?]

RENTER DEMOGRAPHICS

9. Can you provide an overview of the typical household compositions residing in your non-market rental units?

10. Could you describe any common characteristics or patterns among the tenants in your non-market rental units? *[Prompt: Do many of them work in Calgary but choose to live in Okotoks, or are they predominantly employed locally? What is the mix between Canadian-born tenants and newcomers? Additionally, do tenants often consider housing options in other towns, such as High River or Calgary, before deciding to live in your properties?]*

11. Based on current trends and your thoughts on the future, what are your projections for rental demand and price changes over the next 2 years? *[Prompt: do you anticipate that the rate of increase in market rents will outpace inflation?]*

RECOMMENDATIONS & COMMENTS

12. What other additional information, insights, or recommendations do you have that you believe would be valuable for us to consider?

THANK YOU FOR YOUR TIME!

Appendix B – Supporting Documents

Town Staff Interview Guide

Key Informant Interviews
Town Staff

Names of Interviewees	
Role	
Municipality	
Phone Number or Email	
Interview Date	

Introduction

The Council of the Town of Okotoks has directed the administration to explore the establishment of an arms-length, municipally controlled corporation, tentatively named the Okotoks Municipal Asset Corporation (OMAC). The entity's initial focus would be focused on the development and implementation of new affordable housing in the town with a mandate of being financially independent from the town.

While the OMAC model could provide significant benefits such as service delivery agility and focused mandate execution, there are potential challenges such as financial sustainability, governance and operational effectiveness that must also be considered.

Recognizing your involvement in planning and development in Okotoks as well as the development of the OMAC concept, we seek to gather your perspectives, evaluate the potential financial and logistical aspects, and gauge the broader community implications of this initiative.

BACKGROUND

1. In your opinion, why might it be important for the Town to consider establishing an entity like the OMAC for affordable housing initiatives? Could you discuss both the potential advantages and the drawbacks of pursuing this type of entity?

BUSINESS & OPERATION MODEL

2. As with any real estate development projects, there are inherent risks involved, such as cost overruns, project delays, or changes in market demand leading to higher-than-expected vacancy rates. In evaluating OMAC's involvement in future projects, two different structures are being explored with an eye towards balancing risks, rewards, and control:
   a. OMAC acting as a partial shareholder alongside private developers, where both parties contribute resources and share in the project's risks and rewards. This arrangement might result in reduced control for OMAC.
   b. OMAC being the sole owner of the project, with the development, project management, and property management aspects contracted out to third-party providers. While this approach places the entirety of risk on OMAC, it also grants the organization the autonomy to make decisions that directly impact the success of the affordable housing initiative.

   Which structure do you believe would be more effective for OMAC? Why?

3. The Town currently has four regions of land parcels in its portfolio: D'Arcy Affordable Housing Site (the former Branda Strafford Society property), Downtown River's Edge, Community Campus Site, and Kinsmen Park. IS current zoning of these parcels already conducive to developing affordable housing (medium to high density residential)? How would you prioritize the development of these parcels?

   a. Do you foresee any of the four regions experiencing higher NIMBYism than others? (NIMBY= Not In My BackYard) Would this / does this affect prioritization?

4. [If a partnership is preferred, as in 2a] How do you envision the role of land in this development partnership? Has the Town previously engaged in any initiatives where land was utilized as equity, involved conditions on land sales for affordable housing quotas, or arranged deferred land payments? Additionally, are there examples from other municipalities or projects that you're aware of, which could serve as references for such practices?

5. What would be some ways that the Town or OMAC could help lower the cost of developing a real estate project? (i.e., cost of permits, legal fees, other regulatory requirements?) Has the Town done any of these types of things in the past?

RENTER ENGAGEMENT

6. Who are the target applicants that affordable rental projects aim to help? (Low income? Seniors? Disabled? Indigenous group? Newcomers to Canada?).

7. How does the Town determine the overall rental vacancy rate in the region? what data is used to measure it? What would the Town suggest as a healthy vacancy rate and why?

COMPARATORS

8. How could OMAC leverage its unique position to introduce additional services or initiatives that not only complement its core mission of providing affordable housing but also generate alternative revenue streams? Could you identify specific areas or services where you believe OMAC holds or will hold (in the future) a competitive edge or untapped potential?

RECOMMENDATIONS & COMMENTS

9. What other additional information, insights, or recommendations do you have that you believe would be valuable for us to consider?

THANK YOU FOR YOUR TIME!

Appendix B – Supporting Documents

Average Market Rent provided by Westwind Communities

May 11, 2024

Item 5.5: 46-2023 2024 Affordable Housing Rent Ceiling

Background and Analysis:

Alberta Seniors Communities & Social Services in 2002, introduced a guideline requiring management bodies to annually establish a maximum rent ceiling for its social housing programs. The following units are impacted by this policy:

Portfolio	Management Body	
Program	**Independent Living** Self-contained rental units for seniors who are functionally independent. Each unit has its own living space, bathroom and kitchen facilities. Westwinds provides property management to these communities.	**Family Housing** Affordable rental accommodation to low and moderate income families, senior citizens, the physically challenged, and others who are unable to obtain adequate and affordable housing in the private sector.
Annual Budget	$1.9M plus capital	
Operational Funders	Alberta Seniors, Communities and Social Services	
Ownership: ASHC	Soderberg House – 20 Spitzee House – 30 Glen mead Park – 40 Sheep River House - 24 Valley Villa – 4	Okotoks – 12 (3 four-plexes)
Households Served/Month	118	12

The guideline states that the maximum rent ceiling can be set at the maximum market rent plus twenty percent (the rationale for the 20% surcharge is to encourage tenants whose income is no longer low income, to move on to market accommodation as opposed to continuing to reside in social housing). The provincial guidelines primarily pertain to management bodies that are housing households over the Core Needs Income Threshold (CNIT). Westwinds Communities does not house households over the provincial income guidelines but regardless is subject to the policy. In addition, Westwinds must set a market rent for the rent supplement program annually.

Analysis:
The Canadian Mortgage and Housing Corporation (where available) and local market information indicates the average rental rate of the following:

Community	Rent Rate Average		
	1 bedroom	2 bedrooms	3 bedrooms
Alberta (Diamond Valley, Claresholm & Other)	1,114	1,316	1,427
Okotoks (*insufficient data)	*	1,076	*
High River	938	1,067	*

- *Insufficient data from CMHC*

Westwinds rental data from the rental assistance benefit program and market rental information, which has been compacted from previous years reflecting the increase in market rates and low inventory. A more generalized approach was taken as a consequence to support the greatest number of households.:

Community	Accommodation	Rent Rate Average
All other Communities in our Region	Studio, room rental, motel (10% discount from 1 bedroom)	883
	1 bedroom	981
	2 bedrooms	1,285
	3 - 4 bedrooms	1,400
	5 or more bedrooms	2,100
High River	Studio, room rental, motel (10% discount from 1 bedroom)	1,080
	1 bedroom	1,200
	2 bedrooms	1,275
	3 bedrooms	1,422
	4 or more bedrooms	1,550
Okotoks	Studio, room rental, motel (10% discount from 1 bedroom)	1,125
	1 bedroom	1,250
	2 bedrooms	1,675
	3 - 4 bedrooms	1,954
	5 or more bedrooms	2,500
Claresholm	Studio, room rental, motel (10% discount from 1 bedroom)	1,006
	1 bedroom	1,118
	2 bedrooms	1,200
	3 or more bedrooms	1,450
Diamond Valley	Studio, room rental, motel (10% discount from 1 bedroom)	981
	1 bedroom	1,090
	2 bedrooms	1,270
	3 or more bedrooms	1,300

Historically Westwinds has adopted the maximum rental guideline for the social housing program units which is 20% above market. Consequently, the maximum rent ceiling for 2024 can be the following in accordance with provincial guidelines for Westwinds properties is:

Community	Accommodation	2023 Maximum Rent	2024 Maximum Rent
High River	Studio, room rental, motel (10% discount from 1 bedroom)	1,021	1,296
	1 bedroom	1,134	1,440
	2 bedrooms	1,310	1,530
	3 bedrooms	1,260	1,706
Okotoks	1 bedroom apartment	1,281	1,500
	3 bedroom - (duplex or four-plex)	1,850	2,345
Diamond Valley	1 bedroom apartment	1,017	1,308

Proposed Implementation: January 1, 2024
Risk Analysis: Management Body regulatory compliance

Of note: In 2024, Okotoks' rent increased 17-27%, Diamond Valley's rent increased 28% and High River's rent increased 17-35%. Whereas for 2023, Okotoks rent increased 8-23%, Diamond Valley's decreased 2% and High River ranged from a decrease of 10% to an increase of 9%.

Committee Recommendation:

The Executive Committee recommends the Board of Directors approve a 2024 maximum basic monthly rent for the independent living and community housing portfolios of:

Community	Accommodation	2024 Maximum Rent
High River	Bachelor unit	1,296
	1 bedroom	1,440
	2 bedrooms	1,530
	3 bedrooms	1,706
Okotoks	1 bedroom	1,500
	3 bedrooms	2,345
Diamond Valley	1 bedroom	1,308

The Executive Committee recommends the Board of Directors approve a 2024 market rent for the Rental Assistance Benefit program of:

Community	Accommodation	Rent Rate Average
All other Communities in our Region	Studio, room rental, motel (10% discount from 1 bedroom)	883
	1 bedroom	981
	2 bedrooms	1,285
	3 - 4 bedrooms	1,400
	5 or more bedrooms	2,100
High River	Studio, room rental, motel (10% discount from 1 bedroom)	1,080
	1 bedroom	1,200
	2 bedrooms	1,275
	3 bedrooms	1,422
	4 or more bedrooms	1,550
Okotoks	Studio, room rental, motel (10% discount from 1 bedroom)	1,125
	1 bedroom	1,250
	2 bedrooms	1,675
	3 - 4 bedrooms	1,954
	5 or more bedrooms	2,500
Claresholm	Studio, room rental, motel (10% discount from 1 bedroom)	1,006
	1 bedroom	1,118
	2 bedrooms	1,200
	3 or more bedrooms	1,450
Diamond Valley	Studio, room rental, motel (10% discount from 1 bedroom)	981
	1 bedroom	1,090
	2 bedrooms	1,270
	3 or more bedrooms	1,300

Appendix B – Supporting Documents

Construction Costs

For affordable housing projects, our financial modeling incorporates minimum, base, and maximum construction cost scenarios. This appendix outlines the industry-standard construction costs by providing low and high estimates for the respective development type in Calgary. This excerpt is taken from Altus Group's 2024 Canadian Cost Guide.

For our model:

- **Minimum Construction Cost:** This is directly taken from the low cost provided in the industry data.
- **Maximum Construction Cost:** As affordable housing projects aim to be cost-effective, we use the midpoint between the provided low and high costs as our maximum.
- **Base Scenario Construction Cost:** This is calculated as the average of our minimum and maximum costs, providing a balanced estimate for typical scenarios.

This approach ensures that our financial projections for affordable housing are both realistic and aligned with industry standards, while also maintaining a focus on affordability.

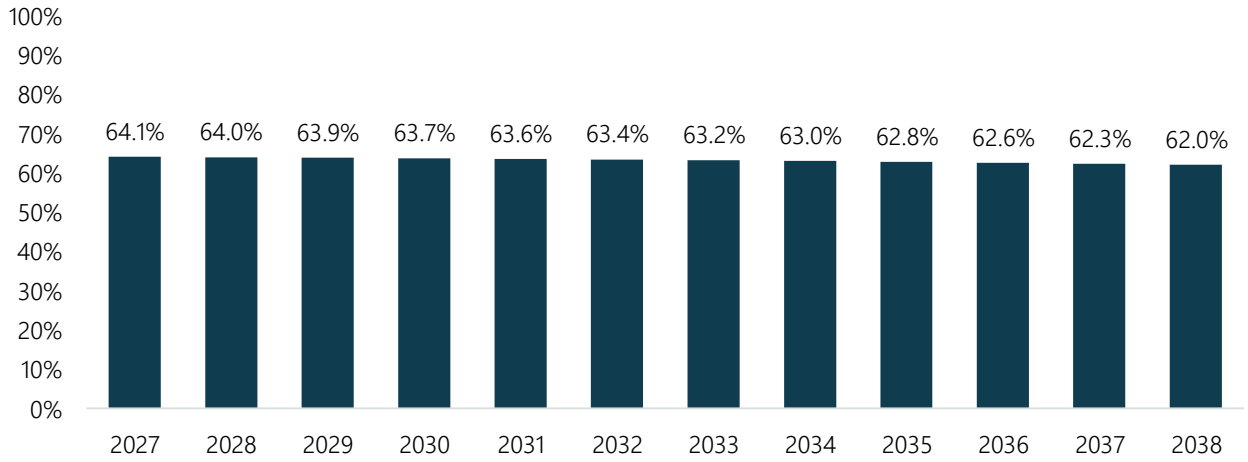
Private sector (cost per square foot)

BUILDING TYPE	Vancouver Low	Vancouver High	Calgary Low	Calgary High	Edmonton Low	Edmonton High	Winnipeg Low	Winnipeg High	GTA Low
Residential									
CONDOMINIUMS/APARTMENTS									
Up to 12 Storeys	325 to 400		280 to 335		280 to 335		280 to 335		285 to
13-39 Storeys	350 to 440		290 to 340		290 to 340		290 to 335		295 to
40-60 Storeys	360 to 450		295 to 345		295 to 345		295 to 340		340 to
60+ Storeys	370 to 470		n/a to n/a		n/a to n/a		n/a to n/a		365 to
Premium for High Quality	up to 250		up to 250		up to 250		up to 245		up to
WOOD FRAMED RESIDENTIAL (DIMENSIONAL LUMBER)									
Row Townhouse with Unfinished Basement	185 to 290		185 to 235		185 to 235		185 to 235		205 to
Single Family Residential with Unfinished Basement	190 to 320		175 to 255		175 to 255		170 to 245		210 to
3 Storey Stacked Townhouse	220 to 300		195 to 245		195 to 245		190 to 245		240 to
Up to 6 Storey Wood Framed Condo	250 to 350		235 to 330		235 to 330		230 to 330		245 to
Custom Built Single Family Residential	495 to 1,250		475 to 1,045		475 to 1,045		475 to 1,025		520 to
SENIORS HOUSING									
Independent / Supportive Living Residences	290 to 375		250 to 330		250 to 330		245 to 325		290 to
Assisted Living Residences	310 to 420		285 to 345		285 to 345		280 to 340		315 to
Complex Care Residences	400 to 600		325 to 525		325 to 525		320 to 520		400 to
Commercial									
OFFICE BUILDINGS									
Under 5 Storeys (Class B)	295 to 380		235 to 310		235 to 310		230 to 305		265 to
5 - 30 Storeys (Class B)	295 to 375		235 to 315		235 to 315		230 to 310		275 to
5 - 30 Storeys (Class A)	335 to 420		260 to 355		260 to 355		255 to 350		310 to
31 - 60 Storeys (Class A)	370 to 460		295 to 410		295 to 410		290 to 405		360 to
Interior Fitout (Class B)	85 to 155		75 to 115		75 to 115		70 to 110		110 to
Interior Fitout (Class A)	150 to 280		110 to 195		110 to 195		105 to 190		160 to
RETAIL									
Strip Plaza	205 to 280		215 to 290		215 to 290		210 to 285		235 to
Supermarket	215 to 270		200 to 245		200 to 245		195 to 240		175 to
Big Box Store	205 to 270		190 to 240		190 to 240		185 to 235		165 to
Enclosed Mall	305 to 415		260 to 395		260 to 395		255 to 390		275 to

Appendix C

Mixed-Rental Model Project Viability – Affordable + Market

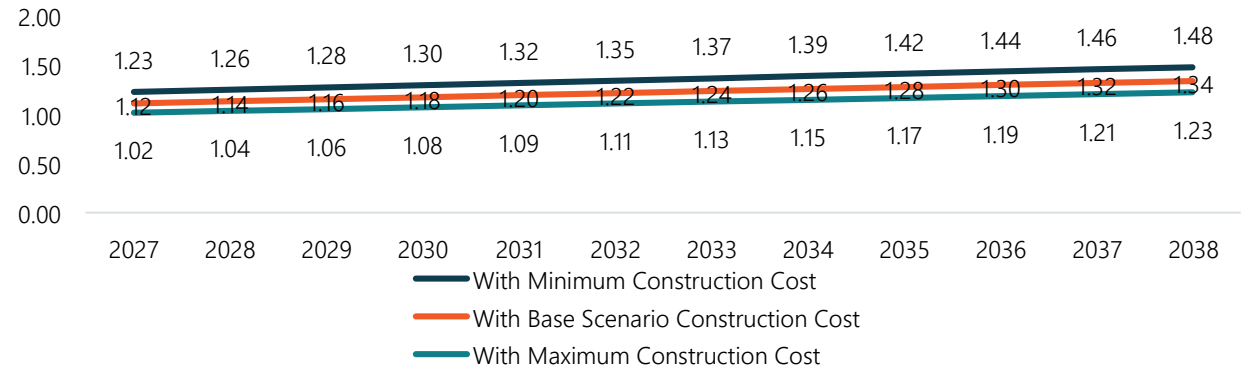
Mixed-Rental Model Project NOI Margin



Hypothetical Land

Steady NOI: The project's Net Operating Income remains consistently above 62% from 2027 to 2038. This indicates a strong and stable income generation capability over the projected period.

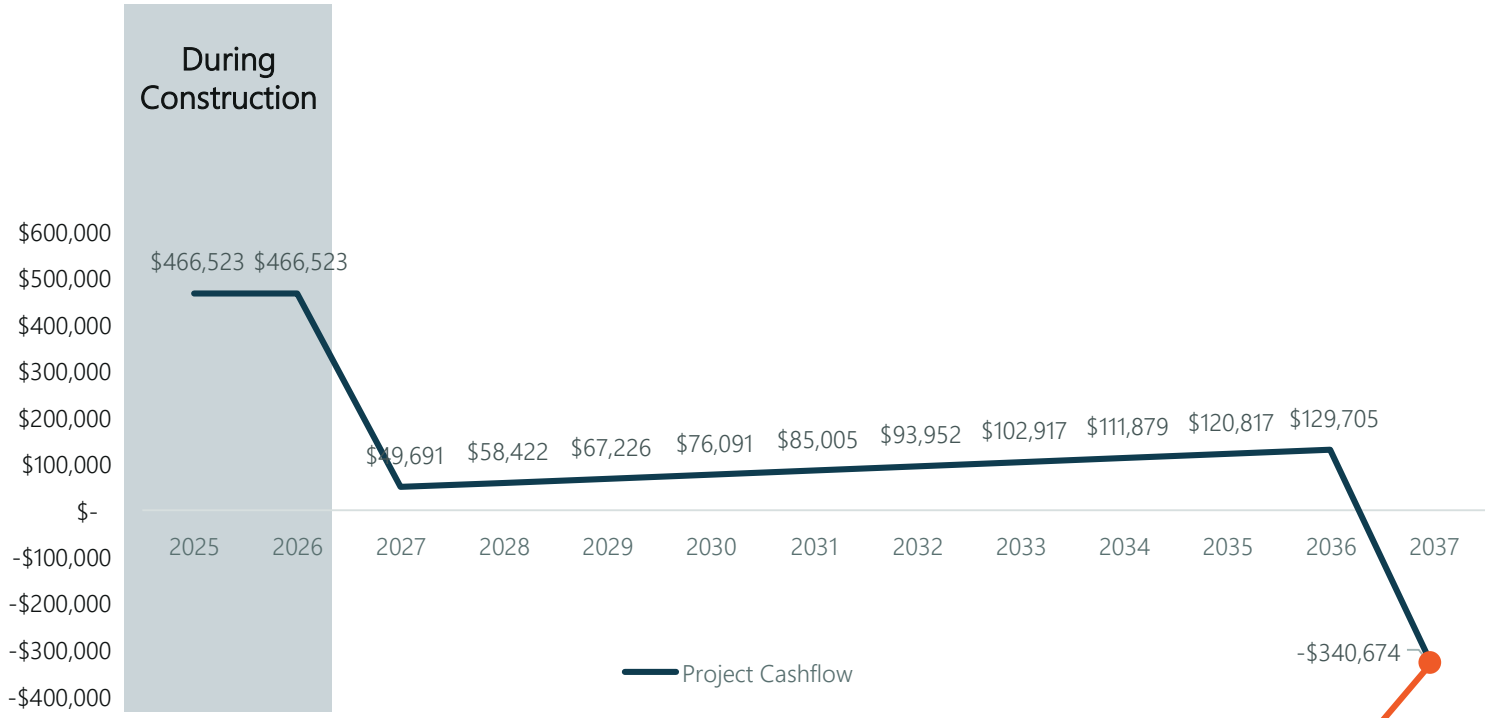
Mixed-Rental Model Project Debt Servicing Ratio



Debt Servicing Capability: The DSCR from minimum and base scenario construction costs are adequate to meet the CMHC requirement. However, with the maximum construction cost, the DSCR does not meet the requirement of 1.1 due to a higher debt ratio, indicating the project's potential inability to generate sufficient income to cover debt obligations under this scenario.

Appendix C
Mixed-Rental Model Project Return – Affordable + Market

Mixed-Rental Model Project Cash Flow



The terminal value of the project, at year 2037, is valued around $7.2 million at an 8% cap rate. Even when combined with the cash on hand, this amount still falls short by $340,674 to pay off all the long-term debt of the project.

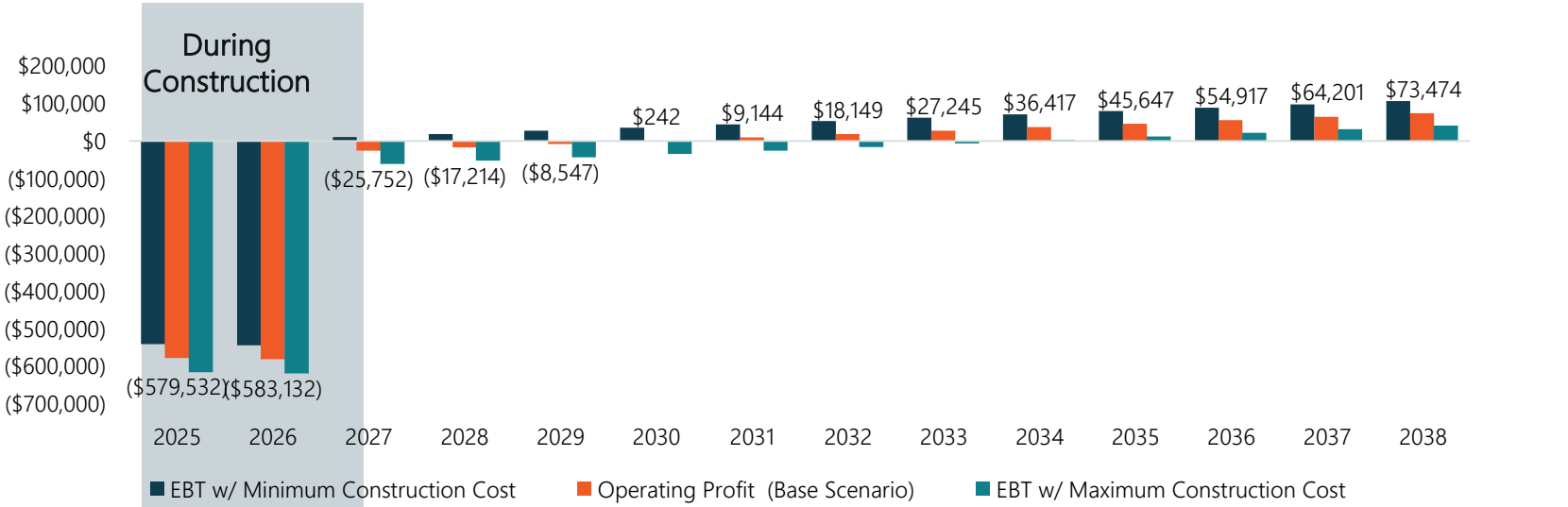
The project experiences a series of small positive cash flows after stabilization, leading to a very long-term payback period due to a high level of debt ratio. This makes it less attractive for private investors if the project alone is their investment criteria. The Town may need to contribute the 5% capital requirement.

Although this project may not be sound as an investment opportunity, it provides significant social benefits by offering 23 affordable units to the market, contributing to community stability and housing affordability.

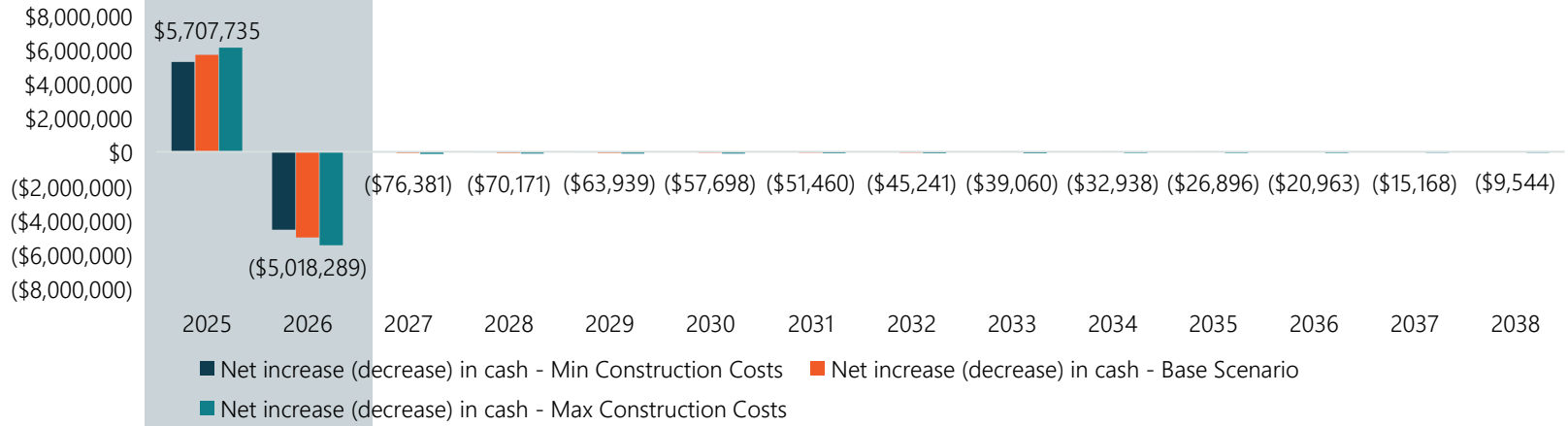
Appendix C

OMAC's Financial Viability with Mixed-Rental Model Project only

OMAC Operating Profit



OMAC Cash Flow



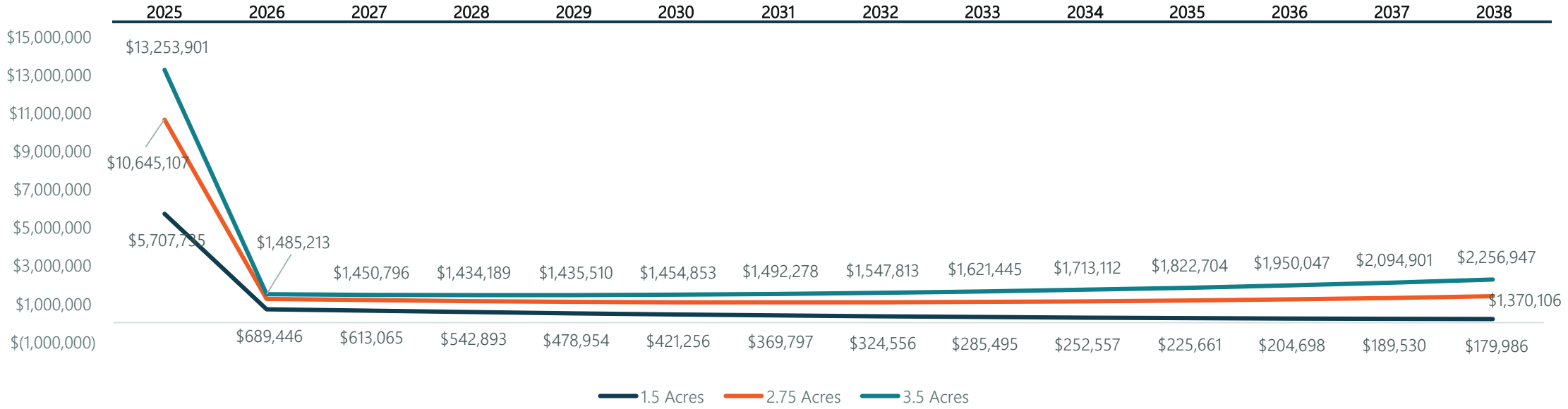
There are negative cash flow and operating losses during the construction period.

OMAC will require several years post-stabilization to achieve positive cash flow, it is important to have effective financial management and strategic planning to cover initial deficits and ongoing operational costs.

Appendix C

OMAC's Financial Viability with Mixed-Rental Model Project only

OMAC Net Cash Position with 5% of the Total Cost as Capital Contribution



Initial Expenses and Overhead:
Significant initial expenses and overhead costs during the construction phase lead to a sharp decline in net cash position in the early years.

Long-Term Viability:
To achieve long-term financial stability, OMAC can consider the balance between land size and initial capital investment. Larger land sizes (2.75 acres and 3.5 acres) show better long-term financial health and higher net cash positions over the projected time horizon, indicating greater financial resilience and capacity to handle operational costs.

Appendix C
Mixed-Rental Model Project Return – Sensitivity Analysis

Sensitivity Analysis: Land Size and Equity Investment from Town on # of Years to See Positive Cash for the MCC

land Size	Capital Contribution from the Town			
	2.50%	5%	7.50%	10%
1.00 Acres	N/A in the projected time horizon			
1.50 Acres			12	10
2.00 Acres	11	9	8	6
2.75 Acres	8	6	5	3
3.00 Acres	6	5	3	2
3.50 Acres	5	3	2	1

The Corresponding Cash Values for Capital Contribution from the Town

land Size	Capital Contribution from the Town			
	2.50%	5%	7.50%	10%
1.00 Acres	$ 170,197	$ 340,394	$ 510,592	$ 680,789
1.50 Acres	$ 255,296	$ 510,592	$ 765,887	$ 1,021,183
2.00 Acres	$ 340,394	$ 680,789	$ 1,021,183	$ 1,361,578
2.75 Acres	$ 477,498	$ 954,995	$ 1,432,493	$ 1,909,991
3.00 Acres	$ 510,592	$ 1,021,183	$ 1,531,775	$ 2,042,366
3.50 Acres	$ 595,690	$ 1,191,380	$ 1,787,071	$ 2,382,761

This sensitivity analysis is to determine the impact of land size and equity investment from the Town on the number of years required to achieve positive cash flow for the Mixed-Rental Model Project.

The analysis indicates that both the size of the land and the amount of capital contribution impact OMAC's ability to achieve positive annual cash flow. Specifically, the larger the land, the quicker OMAC will start to see positive cash flow. Similarly, higher capital contributions accelerate the timeframe for OMAC to reach positive cash flow. Therefore, strategic decisions regarding land acquisition and capital investment are key for optimizing the financial performance of OMAC.

Appendix C
OMAC's Pro Forma Income Statement

With the strategic development plan

OMAC's Pro Forma Income Statement

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Revenue														
Rental Income	$ -	$ -	$ 739,147	$ 753,930	$ 769,009	$ 784,389	$ 800,077	$ 816,078	$ 832,400	$ 849,048	$ 866,029	$ 883,350	$ 901,017	$ 919,037
Residential Services	$ -	$ -	$ 7,391	$ 7,539	$ 7,690	$ 7,844	$ 8,001	$ 8,161	$ 8,324	$ 8,490	$ 8,660	$ 8,833	$ 9,010	$ 9,190
Total Revenue	**$ -**	**$ -**	**$ 746,539**	**$ 761,470**	**$ 776,699**	**$ 792,233**	**$ 808,078**	**$ 824,239**	**$ 840,724**	**$ 857,538**	**$ 874,689**	**$ 892,183**	**$ 910,027**	**$ 928,227**
Cost of Goods/Services														
Property Management Fees	$ -	$ -	$ 59,723	$ 60,918	$ 62,136	$ 63,379	$ 64,646	$ 65,939	$ 67,258	$ 68,603	$ 69,975	$ 71,375	$ 72,802	$ 74,258
Maintenance, Repair and Services	$ -	$ -	$ 22,396	$ 23,606	$ 24,932	$ 26,389	$ 27,993	$ 29,759	$ 31,708	$ 33,862	$ 36,244	$ 38,881	$ 41,804	$ 45,048
Property Taxes	$ -	$ -	$ 30,700	$ 31,314	$ 31,940	$ 32,579	$ 33,231	$ 33,896	$ 34,573	$ 35,265	$ 35,970	$ 36,690	$ 37,423	$ 38,172
Insurance	$ -	$ -	$ 32,062	$ 32,704	$ 33,358	$ 34,025	$ 34,705	$ 35,399	$ 36,107	$ 36,830	$ 37,566	$ 38,317	$ 39,084	$ 39,866
Utilities	$ -	$ -	$ 98,842	$ 100,819	$ 102,835	$ 104,892	$ 106,990	$ 109,129	$ 111,312	$ 113,538	$ 115,809	$ 118,125	$ 120,488	$ 122,897
Onsite Care Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total COGS	**$ -**	**$ -**	**$ 243,724**	**$ 249,360**	**$ 255,201**	**$ 261,264**	**$ 267,565**	**$ 274,123**	**$ 280,959**	**$ 288,097**	**$ 295,564**	**$ 303,388**	**$ 311,601**	**$ 320,241**
Operating Expenses														
Salaries and Wages	$ 120,000	$ 123,600	$ 126,072	$ 128,593	$ 131,165	$ 133,789	$ 136,464	$ 139,194	$ 141,978	$ 144,817	$ 147,713	$ 150,668	$ 153,681	$ 156,755
Office Rent	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest Expenses	$ 459,532	$ 459,532	$ 378,123	$ 375,795	$ 373,359	$ 370,812	$ 368,148	$ 365,361	$ 362,446	$ 359,397	$ 356,208	$ 352,872	$ 349,383	$ 345,733
Depreciation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Transfer to Reserve Fund	$ -	$ -	$ 24,372	$ 24,936	$ 25,520	$ 26,126	$ 26,756	$ 27,412	$ 28,096	$ 28,810	$ 29,556	$ 30,339	$ 31,160	$ 32,024
Total Operating Expenses	**$ 579,532**	**$ 583,132**	**$ 528,567**	**$ 529,324**	**$ 530,045**	**$ 530,727**	**$ 531,369**	**$ 531,967**	**$ 532,520**	**$ 533,024**	**$ 533,478**	**$ 533,879**	**$ 534,224**	**$ 534,512**
Operating Profit (Base Scenario)	**($579,532)**	**($583,132)**	**($25,752)**	**($17,214)**	**($8,547)**	**$242**	**$9,144**	**$18,149**	**$27,245**	**$36,417**	**$45,647**	**$54,917**	**$64,201**	**$73,474**
Project List														
Hypothetical Land	Construction		Lease-up stabilization											

The projections are based on a hypothetical land size of 1.5 acres. The expected financial performance of OMAC under the mixed-rental model illustrates the transition from initial operating losses during the construction phase to gradually increasing profits as the project stabilizes and generates consistent rental income.

Appendix C
OMAC's Pro Forma Cash Flow

With the strategic development plan

OMAC's Pro Forma Cash Flow

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Cash Flow From Operations														
Earnings Before Tax	($579,532)	($583,132)	($25,752)	($17,214)	($8,547)	$242	$9,144	$18,149	$27,245	$36,417	$45,647	$54,917	$64,201	$73,474
Cash Flow From Financing Activities														
Proceeds from Long-term Debt	$10,211,832	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Repayment of Long-term debt	$0	$0	($50,629)	($52,957)	($55,392)	($57,940)	($60,604)	($63,391)	($66,306)	($69,355)	($72,544)	($75,880)	($79,369)	($83,019)
Government contributions	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revolving Credit (Secured LoC) - Net	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Paid-in Capital Investment	$510,592	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Cash Flow From Investing Activities														
Purchase of PP&E	($4,435,157)	($4,435,157)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net increase (decrease) in cash	**$5,707,735**	**($5,018,289)**	**($76,381)**	**($70,171)**	**($63,939)**	**($57,698)**	**($51,460)**	**($45,241)**	**($39,060)**	**($32,938)**	**($26,896)**	**($20,963)**	**($15,168)**	**($9,544)**
Net Cash Position	**$5,707,735**	**$689,446**	**$613,065**	**$542,893**	**$478,954**	**$421,256**	**$369,797**	**$324,556**	**$285,495**	**$252,557**	**$225,661**	**$204,698**	**$189,530**	**$179,986**
Project List														
Hypothetical Land	Construction				Lease-up stabilization									

The projections are based on a hypothetical land size of 1.5 acres.
Revolving Credit (Secured LoC): No net changes across the forecast period, implying no additional secured lines of credit utilized or repaid.
Initial financing are strongly required to have the long-term financial sustainability.