

## ADVANCING AFFORDABLE HOUSING – SHORT TERM OPTIONS

### Issue

Short term options to increase the supply of affordable rental housing is provided for Council consideration.

### Motion Proposed by Administration

That the Advancing Affordable Housing – Short Term Options report be received as presented.

### Report, Analysis and Financial Implications

During the August 19, 2024 Regular Council meeting, Council directed Administration to develop a list of short term options to facilitate affordable housing by October 31, 2024.

### Context

Purpose-built rental construction activity remains strong in Okotoks. Since 2021, 397 new units of purpose-built rental have received development permit approval and are at various stages of development. By the end of September 2024, approximately 160 of these units have been completed with more completions anticipated this fall and into 2025. Private sector interest in developing purpose-built rentals remains strong, with development permit applications submitted for an additional 111 units, and pre-application inquiries for another 631 units. Development permits have been approved for up to 103 below market units. This is significant as the last time below market units were added to Okotoks was in 2008-2010.

Table 1: Purpose-Built Rental Counts (Market and Below Market), August 2024

Status	Total Units	Subsidized
Development Permit Approved	397	20 (Westwinds) 83 (Private)
Development Permit Application Submitted	111	TBD
Preliminary Application Inquiry	631*	TBD

*\*Unit counts are very preliminary and are subject to change*

### Municipal Tools to Influence Housing Affordability

There are several tools available to the Town to increase and accelerate the construction of market and below market rental housing:

- **Housing Friendly Policy Environment**  
Removing barriers to allow housing supply to meet demand is one of the most important actions a municipality can undertake to influence the supply/demand imbalance. This reduces risk and increases certainty for major housing projects, serving to attract investment as opposed to deterring it. Several regulatory barriers in Okotoks were removed in 2021 with the adoption of a new Municipal Development Plan and Land Use

Bylaw that are permissive towards diverse and dense developments. Priority review of multi-unit project and dissolution of the Municipal Planning Commission serve to improve processing times for major housing developments. Table 1 reflects the results of the Okotoks housing friendly policy environment.

The completion of the supplemental water line in 2026 will remove the largest barrier to growth in Okotoks. To bridge the gap to 2026, Administration is working on interim water servicing strategies to support continued growth until the supplemental water line becomes operational in 2026.

- Post Approval Processes and Guidelines

Following development approval of a project, there are several technical and process requirements in place to ensure that supporting infrastructure is designed and installed to meet industry/local standards and legislation, and that buildings are constructed to meet relevant building codes. These processes are critical to ensuring safe and high-quality developments.

To ensure alignment with the Town's housing friendly policy environment a comprehensive review of engineering and building processes and systems is underway. The aim of these reviews is to identify opportunities for improvement and ways to improve communication/education of processes and requirements, while continuing to ensure safe and high-quality developments.

- Land and Financial Contributions

Land and financial contributions can complement a favorable regulatory environment and streamline post approval processes by making affordable housing projects more viable. Municipal investment can also unlock greater contributions from federal and provincial governments. The Town has provided discounted land to Westwinds Communities to support their affordable housing projects and has additional capital incentives to support other non-profit led projects that are supported by another level of government.

Municipal investment in affordable housing has been strategically focused on the non-profit housing sector as these entities prioritize community needs over profit and are dedicated to maintaining affordability over the long term. By investing in the non-profit sector, municipal funds will support longer term and deeper affordability than what could be achieved by investing in the for-profit sector. For example, the Town invested just \$15,000 a door to support Westwinds Communities in securing 10 units of new affordable housing in 2023. These units are significantly more affordable than affordable housing units being delivered through the for-profit sector. Though the Town has a 20-year agreement with Westwinds Communities to keep these units affordable, Administration is confident these units will be maintained as affordable beyond this 20-year term.

Administration does not recommend allocating municipal tax dollars to support the for-profit sector in delivering affordable housing as the social impact, level and length of affordability is less than what could be achieved by investing in the non-profit sector. 50-year amortizations and high loan to value ratios offered by the Canadian Mortgage and Housing Company (CMHC) are a key driver in the delivery of affordable rental units through the private sector. Though the for-profit sector could enter into 20-year affordability commitments with CMHC to achieve higher points on their applications they are choosing to pursue 10-year agreements. Discussions with local builders suggest that a municipal investment of \$15,000 per unit under the affordable housing incentives policy would not be sufficient to achieve an additional 10 years of affordability in these for-profit projects.

It is unclear what level of municipal investment would be required to incent a for-profit builder to extend affordability of units from 10 to 20 years and would likely depend on individual pro-formas for projects. It is clear, however, that municipal dollars will go further when invested in the non-profit sector. Discounted land and/or deferred land costs was identified as a way the municipality could support the for-profit sector in delivering affordable units; however, the Town has limited land available for housing and multiple community land needs to consider. A reduction or waiver of municipal taxes was identified as one option; however, Council has not been supportive of this option in the past. Council is now being required to exempt non-profit affordable housing from municipal taxes, which represents a revenue loss. Introducing a tax waiver for for-profit affordable housing would be counter to the messaging provided to the province on the Bill 20 exemptions, and would mean the tax base would be subsidizing the for-profit sector. This would be a precedent and could provide further challenges to long term sustainable funding options for the municipality.

#### Housing Affordability Considerations

Internal and external factors are influencing housing affordability in Okotoks. Available water license capacity to support growth has compromised the Town's ability to meet the demand for housing, placing upward pressure on home prices. An overall lack of housing diversity in Okotoks has made it challenging for low to moderate income households to find appropriate and affordable housing, including the local workforce. These conditions are improving with a new regulatory environment that promotes dense and more diverse housing developments, financial incentives and a new water supply in 2026 that will enable construction of more homes to meet demand.

External factors, largely outside of the Town's control, are also impacting housing affordability in Okotoks. Record immigration into Alberta (both international and interprovincial) is contributing to a supply/demand imbalance, placing upward pressure on home prices. Mortgage interest rates, supply chain issues and labour shortages can also impact the ability to deliver housing at the pace needed to meet demand. These challenges are compounded as wage growth has not kept pace with inflation which is putting pressure on households that may not have faced affordability challenges in the past.

Okotoks is ahead of the curve in creating the conditions for investment in affordable housing; however, like many smaller municipalities, we are often overlooked by federal and provincial governments for much needed investments to get these projects off the ground. This highlights the importance of partnerships and strong relationships with the local development community and non-profit sectors to collaborate on local solutions to meet housing needs in Okotoks.

What Is Next?

Though the Town has limited influence over external factors affecting the Okotoks housing market, it can influence the ability of the market to correct itself by making it easy to invest in Okotoks. This work started several years ago and is ongoing. To ensure alignment with the Town’s housing friendly policies, work is now underway to improve post approval processes related to engineering and building construction for projects, while maintaining safe and high-quality developments. The Foothills Okotoks Regional Water Project is well underway and is on track for completion in 2026.

Administration continues to work with industry to explore different approaches in Okotoks. For example, Administration is currently exploring new digital procurement technologies to lower construction costs for affordable housing projects to make these projects more viable and attractive to partners and funders. Opportunities for modular housing projects are also being explored, and efforts to attract new partners in Okotoks are underway

As Table 1 highlights, the market is addressing the current supply/demand imbalance for purpose-built rentals. It is expected that over time as more units come online, rental rates will begin to regulate. Westwinds Communities administers rental assistance benefits in Okotoks, which can be used to lower rental costs in the private market as rental rates regulate. Administration will continue to work with applicants of purpose-built rental projects to prioritize approval processes to get these projects underway as quickly as possible. As these projects move through the various approval processes Administration will work with applicants to support CMHC financing applications and explore ways to bring in non-profit housing partners. Though the recommendation in this report is to continue focusing municipal investment in the non-profit sector, the Town should remain open to exploring unique opportunities that would merit municipal investment in for-profit housing development. At this time, Administration is not recommending additional funding beyond the current affordable housing budget of \$315,000 per year.

**Strategic Plan Goals**

<input checked="" type="checkbox"/>	Responsibly Managed Growth	<input type="checkbox"/>	Demonstrated Environmental Leadership
<input checked="" type="checkbox"/>	Strong Local Economy	<input type="checkbox"/>	Enhanced Culture & Community Health
<input type="checkbox"/>	Organizational Excellence		

### **Equity/Diversity/Inclusivity Impacts and Strategy**

Housing is a universal and basic human need and a key determinant of health and well-being. The Town is actively taking steps to improve the diversity of housing in Okotoks so that all individuals and families can find housing that meets their unique needs. Though the focus of this report is on improving housing affordability, overall poverty reduction measures can serve to improve a household's ability to afford housing in Okotoks. The forthcoming social needs assessment will help to identify opportunities to enhance poverty reduction strategies and initiatives.

### **Environmental Impacts**

Ongoing efforts to ensure diverse and affordable housing options are available in Okotoks will promote more efficient use of land and will serve to increase opportunities for Okotoks' workforce to also live in the community, thereby reducing commutes and contributing to a reduction in GHG emissions.

### **Governing Policies/Bylaws/Legislation or Agreements**

n/a

### **Community Engagement Strategy**

n/a

### **Alternatives for Consideration**

n/a

### **CAO Comments**

The challenges facing municipalities in influencing outcomes in relation to affordable housing are many. The Affordable Housing Task Force produced a series of recommendations in 2020. Those, for all intents and purposes have been implemented and/or become part of ongoing business operations. The results of a policy/regulatory change can take years to see on the ground as the land development process takes about 5 to 7 years from approval to actual construction and occupancy. What is being built in Okotoks has fundamentally shifted and the market has adapted resulting in a very different housing base than what was traditionally here before. For the first time since 2010 the Town actually has purpose built rental units being developed. The question is does the municipality have other levers of influence and what is the appropriate role the municipality should take? There are no easy answers here and the report suggests that as the biggest regulatory barriers are being solved further shifts are going to occur naturally but likely over a longer period than wanted by Council. Council will need to provide direction if they feel Administration should advance options to enhance further affordability options in Okotoks.

### **Attachment(s)**

n/a

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