

**Residential Incentive - Potential Costs**

1. Affordable Housing Investment Program for Downtown

The following table demonstrates the costs and outcomes of applying the Affordable Housing Investment Program (AHIP) in the Downtown context, and the cost implications of covering more than 25 per cent of construction costs.

All numbers are approximations and would vary depending on the actual construction costs of the projects that apply.

These costs would be expected to rise each year along with construction costs.

<b>Percent of construction cost</b>	<b>Cost per unit<sup>1</sup></b>
25% (non-Downtown location)	\$61,000
25% (high-rise, Downtown)	\$79,300
30%	\$95,200
40%	\$126,900
50%	\$158,600

Affordable units may be eligible to receive the Affordable Housing Tax Grant to offset municipal property taxes. AHIP-funded units may be eligible if they satisfy all program criteria.

2. Market Housing Incentive Program

The table on the following page demonstrates the costs and outcomes of a residential incentive program, based on potential per square foot grant amounts.

All numbers are approximations, and would vary depending on the unit sizes of the projects that apply.

---

<sup>1</sup> \$61,000 is the average grant amount per unit of the Affordable Housing Incentive Program (AHIP). Most units have been low-rise units located outside Downtown. A 30% premium is assumed for Downtown units (source: Altus' 2023 Construction Cost Guide).

## Attachment 2

<b>\$ per square foot of residential</b>	<b>Percentage of construction cost<sup>2</sup></b>	<b>Cost per unit<sup>3</sup></b>	<b>Units per \$10 million</b>	<b>Annual cost for 275 units per year<sup>4</sup></b>
\$50	14%	\$42,000	238	\$11.6 million
\$60	17%	\$50,400	198	\$13.9 million
\$75	21%	\$63,000	159	\$17.3 million
\$85	24%	\$71,400	140	\$19.6 million
\$100	29%	\$84,000	119	\$23.1 million

### Grant Costs and Revenue Impacts of a 200-unit Market Rental Apartment Building<sup>5</sup>

The following table demonstrates the estimated cost, annual municipal tax uplift, payback period and internal rate of return (IRR) for a number of different per-square-foot grant amounts, and types of construction.

	High-rise (\$2,680 per unit) <sup>6</sup>	Low-rise construction (\$1,850 per unit) <sup>4</sup>	Office Conversion to Residential (\$1,100 per unit) <sup>4</sup>
\$50/sqft	Grant cost <sup>7</sup> : <b>\$8,400,000</b> Annual Uplift: <b>\$536,000</b> Payback period <sup>8</sup> : <b>15 years</b> IRR <sup>9</sup> : <b>3.6%</b>	Grant cost: <b>\$8,400,000</b> Annual Uplift: <b>\$370,000</b> Payback period: <b>22 years</b> IRR: <b>0.0%</b>	Grant cost <sup>10</sup> : <b>\$10,300,000</b> Annual Uplift: <b>\$220,000</b> Payback period: <b>46 years</b> IRR: <b>-5.7%</b>

<sup>2</sup> Based on \$350 per square foot

<sup>3</sup> 840 square feet per unit (average of units currently under construction)

<sup>4</sup> Average number of units per year over the last 10 years

<sup>5</sup> Assumes no increase in tax rates over the base year

<sup>6</sup> Estimated uplift of \$3,040 per unit for high rise and \$2,100 for low rise, reduced by 11.7% to account for the phased-in elimination of the Other Residential property tax rate.

<sup>7</sup> Assumes 840 square feet per unit

<sup>8</sup> Payment is made in year 3.

<sup>9</sup> Internal rate of return over 25 years

<sup>10</sup> Assumes grant is paid on 1030 square feet of office space removed

## Attachment 2

\$75/s qft	Grant cost: <b>\$12,600,000</b> Annual Uplift: <b>\$536,000</b> Payback period: <b>23 years</b> IRR: <b>-0.3%</b>	Grant cost: <b>\$12,600,000</b> Annual Uplift: <b>\$370,000</b> Payback period: <b>33 years</b> IRR: <b>-3.4%</b>	Grant cost: <b>\$15,450,000</b> Annual Uplift: <b>\$220,000</b> Payback period: <b>70 years</b> IRR: <b>-8.4%</b>
\$100 /sqft	Grant cost: <b>\$16,800,000</b> Annual Uplift: <b>\$536,000</b> Payback period: <b>31 years</b> IRR: <b>-2.7%</b>	Grant cost: <b>\$16,800,000</b> Annual Uplift: <b>\$370,000</b> Payback period: <b>45 years</b> IRR: <b>-5.5%</b>	Grant cost: <b>\$20,600,000</b> Annual Uplift: <b>\$220,000</b> Payback period: <b>93 years</b> IRR: <b>-10.1%</b>

### Comparison to 2021 Edmonton Economic Recovery Construction Grant

The 2021 Edmonton Economic Recovery Construction Grant was approved by City Council through the January 25, 2021, Financial and Corporate Services report FCS00134rev, 2021 Private Construction Projects - Economic Incentive Options - Five Year Timeline. The program makes grant payments equivalent to the uplift in municipal taxes generated by each development for a period of five years, effectively “freezing” municipal property taxes. \$22.9 million was budgeted for the program and was utilized in the construction of 2,342 units.

To be eligible for the grant, projects had to be located within the Centre City area, provide at least 50 residential units, have a construction value of at least \$10 million, and begin construction before March 31, 2022.

Projects were expected to be “shovel-ready” with an approved Development Permit in place prior to application.

<b>\$ per square foot of residential<sup>1112</sup></b>	<b>Cost per unit</b>	<b>Units per \$10 million</b>
\$14	\$9,778	1,023

<sup>11</sup> Based on a total budgeted amount of \$22.9 million. Actual costs will not be known until the program is completed in 2026.

<sup>12</sup> Calculated as total budget divided by total residential square footage. Does not account for the fact that many of the projects include a commercial component.