COUNCIL REPORT

Edmonton

DOWNTOWN ATTAINABLE HOUSING INCENTIVE

Recommendation

That Executive Committee recommend to City Council:

1. That the Attainable Housing Incentive Program Guide, as set out in Attachment 2 of the March 4, 2026, Urban Planning and Economy report UPE03207, be approved.
2. That the payment of Attainable Housing Incentive grants be subject to the terms and conditions set out in Attachment 3 of the March 4, 2026, Urban Planning and Economy Report UPE03207.
3. That Attachment 4 of the March 4, 2026, Urban Planning and Economy report UPE03207 remain private pursuant to section 32 (privileged information) of the *Access to Information Act*.

Requested Action	Council decision required
ConnectEdmonton's Guiding Principle	**ConnectEdmonton Strategic Goals**
CONNECTED This unifies our work to achieve our strategic goals.	**Urban Places**

City Plan Values	LIVE.
Corporate Business Plan	Serving Edmontonians
Council Policy, Program or Project Relationships	• Bylaw 16620 - City Administration Bylaw • Bylaw 15200 - Capital City Downtown Area Redevelopment Plan • Bylaw 16521 - Capital City Downtown Community Revitalization Levy Plan • Charter Bylaw 24002 - Central District Plan • Downtown Action Plan • Downtown Student Housing Incentive • Policy C625 - 2021 Edmonton Economic Recovery Construction Grant Incentive Policy
Related Council Discussions	• May 13, 2025, Urban Planning and Economy report UPE02813, Downtown Action Plan • June 26, 2025, Urban Planning and Economy Report UPE03001 - Bylaw 21158 To Amend Bylaw 16521, Capital City Downtown Community

	Revitalization Levy Bylaw, Amendment No. 2 ● August 19, 2025 Urban Planning and Economy report UPE03036, Downtown Student Housing Incentive ● June 15, 2022, Urban Planning and Economy report UPE00847, Update on 2021 Edmonton Economic Incentive Construction Grant Program

Executive Summary

- The Downtown Action Plan recognizes residential growth in Edmonton's downtown is critical for vibrancy, for a more resilient downtown economy, for the City's financial sustainability and its economic and cultural reputation. The Capital City Downtown Plan has a Downtown population target of 24,000 by 2030, and there are many opportunities for development Downtown (vacant lots).
- Since 2020 there has been little development downtown that has not received an incentive or infrastructure funding support. Industry has indicated this is due to two factors: rental rates are too low and construction costs are too high. The City is at risk of no new built residential development downtown until these economic factors improve or an incentive is provided to help close this gap.
- The proposed Downtown Attainable Housing Incentive program (the Program) addresses this imbalance by attracting new development through an incentive, offsetting costs that are too high. The program aims to improve the financial viability of downtown residential development.
- At the time of the Community Revitalization Levy (CRL) extension (summer 2025), Provincial CRL guidelines required any housing incentive be targeted at attainable[1] housing.[2]
- The Program is structured as a tax rebate; developers will continue to pay tax on the pre-construction assessment value, but the increase in municipal property taxes from the increased assessment would be partially rebated based on the number of units that qualify as attainable. This enables the city to incentivise new residential development downtown while also maintaining some revenue (based on pre-construction assessment value).
- The Program provides eligible projects with an annual grant equivalent to the uplift in property taxes generated by the proportion of attainable units built. This will range from a minimum of 25 per cent to a maximum of 100 per cent based on the number of attainable units per project. Renovations and conversions are not eligible.
- The Program will be funded through the CRL with an initial budget of $30 million. The CRL financial projections will be presented to Council during the CRL annual update in the Spring, with adjustments included in the Spring Municipal Tax Levy Confirmation report.

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[1] Attainable in this context means a unit that is rented for 30 per cent of median renter income for a single bedroom unit. This is distinct from how the City defines Affordable Housing, which requires government funding for construction, operation or both, and are rented at below-market rates to low-income households. Further comparison is provided in Attachment 2.

[2] Government of Alberta. *Community Revitalization Levy Program: Program Guidelines*. May 2025.

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- The Program would fund an estimated 570 to 850 attainable units, and up to 3400 total units depending on what proportion of units are attainable. This would leverage private investment, and support construction jobs. If 50 percent of units are attainable, projects qualifying for this program would contribute net revenue of $30 million over 10 years to the CRL.
- Following the CRL extension, subsequent engagement with industry indicates a current preference for a market housing incentive based on a broader and more generous tax exemption.

REPORT

Downtown Housing Need and Current Market Conditions

Downtown is one of Edmonton's greatest assets - an area rich in cultural vibrancy, economic potential and civic significance. As the heart of the city, it connects people, drives innovation and reflects the identity of Edmonton. It is also a key driver of economic prosperity, serving as a major tax base and generating significant revenues that fund vital city services, everything from recreation facilities to snow removal to fire and rescue services. A thriving downtown is both a vibrant neighbourhood and a powerful economic engine for the city. It is a hub for business, education, services and entertainment that is easily accessible by transit, walking and cycling.

Edmonton continues to invest in its downtown, guided by the Capital City Downtown Plan, the Downtown Action Plan and the Capital City Downtown Community Revitalization Levy (CRL) Plan. All these plans acknowledge that increasing the number of people living in the Downtown neighbourhood is a key component of building a thriving urban destination. When enough people live, work and visit downtown, it creates the critical mass needed to support local commercial businesses like retail, hospitality, tourism, art and personal services. As downtown becomes more of a destination, transit-oriented development near LRT stations in redeveloping areas also becomes more attractive. Additionally, more people living downtown can improve safety and security by putting more eyes and activities on the street.

The Capital City Downtown Plan and other Council-approved policies envision a desirable downtown for residents, including an increased population of 24,000 by 2030 (compared to a count of 12,400 in the 2019 Municipal Census). Although the pace of residential development has more than doubled since the CRL came into effect in 2015,[3] downtown is not meeting the population growth needed for this transformation and a significant percentage of land remains vacant or underutilized. Current market conditions make it challenging for residential development to be viable downtown without a financial incentive (additional background is provided in Attachment 1). Almost all of the new downtown residential units in development since 2021 have received a financial incentive.

<u>Development and market conditions</u>

Current market conditions downtown present challenges due to the high cost of construction and in the level of rent that can be achieved. Combined with higher borrowing costs, this has made

[3] Measured by net new units in building permits: 135 per year from 2010-2014, 339 per year from 2015-2025

residential development more expensive. The higher upfront costs and longer construction timelines associated with high-rise development make these challenges particularly acute in the downtown context. In terms of operating expenses for new rental buildings, rising property taxes are a major cost that can materially affect long-term feasibility.

Residential demand

While residential rents downtown have increased modestly in recent years, it remains a challenging market for new development. Vacancy rates in the downtown area are among the highest in the city. Newly-constructed downtown units face strong competition from units located in other areas of the City which generally command lower rents. At the same time, the cost of constructing high-rise residential buildings in Edmonton has sharply increased, which has eroded the financial viability of new residential development. Supporting data and additional analysis is provided in Attachment 1.

A sustainable approach to increasing the amount of residential development downtown also requires ongoing action to increase demand by making downtown a more desirable neighbourhood. That means improving safety and the perception of safety, providing quality amenities and public spaces, investing in public and active transportation and supporting development of a complete community with a wide range of shops and services. The Downtown Action Plan is the City's strategy for achieving economic, residential, vibrancy and business growth through a series of impactful, catalytic actions designed to revitalize Downtown. The City's investment in O-Day'min Park is an example of this - after decades of limited development activity in the area there are now more than 1,600 units complete, under construction or proposed within a block of the park. The City is also supporting downtown with Edmonton's Downtown Core and Transit System Safety Plan and the Community Safety and Well-being Strategy, both efforts to build a stronger, safer and more inclusive Edmonton where everyone belongs and feels secure.

Incentivizing Residential Development

More housing and residents is a significant tool to encourage economic activity downtown. The Program would allow the City to increase the downtown housing supply and ensure it remains attainable for Edmontonians.

Recent similar programs, including the 2021 Edmonton Economic Incentive Construction Grant, Community Revitalization Levy projects and Housing Accelerator Fund, have provided momentum for many residential projects to occur.

The 2021 Edmonton Economic Incentive Construction Grant was created to incentivize and stimulate high-impact private construction projects in the Centre City area in an effort to support the economy and COVID-19 recovery. It also functioned as a tax rebate, which incentivized nine projects with a construction value of $522 million. For every dollar that the City funded, private development contributed $23. The nine projects created approximately 4,000 construction jobs, 2,200 residential units and 63,000 square feet of commercial space in the Centre City area. There was $22.9 million budgeted for this program, but the actual amount spent will not be confirmed until the rebates conclude in 2026.

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Incentive programs can also have other effects on the market, including diverting investment from other areas. For instance, a downtown incentive program might attract investment to the area that would have otherwise occurred elsewhere in the Central District without an incentive. Also, growth is primarily driven by market conditions (supply and demand). It is difficult to incentivize a development based only on property taxes if market conditions would not sustain it in the long run. Therefore, an incentive might only accelerate development rather than increasing the volume of development that occurs over the long term.

In summary, intervening in the downtown residential development market would likely accelerate downtown development, but like any market intervention, it comes with potential risks and rewards that are elaborated in Attachment 1. For this reason, it is critical that any incentive program be reviewed annually based on current market conditions.

Program Background

The Capital City Downtown Community Revitalization Levy Plan (Downtown CRL Plan) is a financing tool for catalyst projects that are intended to stimulate private investment. Since its approval in 2015, the Downtown CRL Plan has a proven track record of funding transformational improvements and attracting significant private investment. Key examples include the Downtown Arena and Ice District, the O-day'min Park and resulting residential development, the 103A Avenue Pedway and green and walkable amenity spaces that have been a catalyst for the Station Lands project.

In 2025, City Council and the provincial government approved a 10-year extension to the Downtown CRL, which is now in effect through 2044. The extension provides a longer runway for continued investment, and it also includes six new and two revised catalyst projects, including the Attainable Housing Program.

The Attainable Housing Program was identified as a high-priority catalyst project through analysis completed for the Downtown CRL Plan as well as through discussions with Council in June 2025 as part of its approval process. This program is intended to implement the Attainable Housing Program CRL project.

Program Design

The Attainable Housing Incentive Program represents the implementation of the policy direction previously approved by Council in the extended CRL plan (Bylaw 16521). This program has three main objectives: to stimulate the development of vacant or underdeveloped land, to increase the downtown residential population and to encourage development of housing units. The recommended budget is $30 million, which would be allocated on a first-come, first-served basis until all funds have been committed (in Administration's estimation). Future tranches of program funding could include other evaluation criteria.

<u>Program Summary</u>

- Successful applicants will receive an annual grant for a maximum of 10 years that is equivalent to the uplift in municipal property taxes (including both the municipal and education equivalents of the Community Revitalization Levy) that result from development, multiplied by the proportion of attainable units.

- Developers will be required to maintain attainable rental rates for the 10-year grant period (current rates shown in Attachment 2).
- A minimum of 25 per cent of the units must be attainable. Renovations or conversions would not be eligible.
- Full details of the Program, including detailed calculation formulas and examples, are provided in Attachment 2.

For example, a development where 50 per cent of the units are attainable would receive an annual grant payment equivalent to 50 per cent of the tax uplift.

One bedroom units will be considered attainable if they are rented for no more than 30 per cent of the median renter income for Edmonton. This median income figure is calculated and provided by the Canada Mortgage and Housing Corporation (CMHC), and is aligned with CMHC's MLI Select program. This attainability standard would currently allow monthly rents of $1,665 for a one bedroom unit; current average downtown rental rates for a one bedroom unit is below this threshold, at $1,401 per month.[4] For units with multiple bedrooms, a modifier has been added to this criteria to ensure the program attracts a variety of attainable unit mixes. Full details of rental rates are shown in Attachment 2.

This program would only be available within the Downtown CRL Plan area, which is smaller than the overall downtown neighbourhood boundary. Development opportunities located outside the CRL boundary would not be eligible for this program. Expanding this program outside the CRL boundary is not possible without an alternative funding source, and the annual rebate would not include the provincial education tax.

<u>Conversion Projects Ineligible</u>

This program excludes the conversion of non-residential buildings into residential units. While office conversions are a valuable strategy for increasing housing supply and decreasing vacant office space downtown, this specific Program is not designed to incentivize them. This is because:

- Negative Impact on CRL Cashflow: Conversions generally transition from higher non-residential tax rates to lower residential tax rates. This often results in limited or no tax uplift and, in most cases, does not generate CRL uplift, which would worsen the CRL cashflows.
- Limited Impact on Land Use: Conversions do not reduce vacant or underdeveloped land, which is a primary focus of this Program.
- Minimal Financial Incentive: Any rebates generated would be negligible compared to the substantial construction costs of a conversion project, making them unlikely to serve as a meaningful incentive.

<u>Program Monitoring, Review and Evaluation</u>

- Ongoing performance monitoring will be an essential part of this program to ensure transparency and to adjust to market conditions. If this program is approved, the annual CRL update Council Report will include an update on the Program, including financial reporting.

[4] Canada Mortgage and Housing Corporation. *Primary Rental Market Statistics - Downtown Neighbourhood*. 2025.

Alternative Options for Incentivizing Housing Downtown

Tax Exemption

An alternative approach was proposed by industry members during the engagement undertaken for this report. This alternative approach centres on the new opportunity made available to Council under the 2024 amendments to the *Municipal Government Act* (MGA). Section 364.2 of the MGA now allows Council to create bylaws for property tax incentives, such as exemptions or deferrals, to encourage the development or revitalization of both residential and non-residential properties. Instead of the program as prescribed in the Downtown CRL Plan, a tax exemption bylaw would allow greater flexibility in determining the amounts and lengths of an exemption incentive.

This alternate approach presents a more aggressive taxation tool for Council's consideration. Depending on the number of years an exemption is in place, it could provide a greater dollar value of incentive to developers, which would have a greater impact in accelerating housing development. Other potential advantages of the exemption approach include:

- Eliminates cashflow challenges for developers (no need to pay property taxes and await reimbursement). We have heard from industry that this is a strong point of this type of program.
- Acceptance would be guaranteed for any project that meets the eligibility criteria, providing greater certainty sought by developers.
- The program is simpler to understand and would be easier to promote.
- Criteria other than those included in the CRL Plan could be incorporated (as long as they are objective and practical to implement in a Bylaw)
- Conversions of non-residential buildings to residential could more easily be included in an exemption program. However, most office buildings in the Downtown CRL are below their assessment values set in 2014 (CRL baseline). If one of these buildings were converted to residential, there would be little to no uplift going towards the Downtown CRL (this is because there may be no uplift above the 2014 baseline). Most or all of the property tax from these buildings is going towards general tax levy revenues to support the entire City. Exempting taxes on these buildings would therefore have a negative impact on general tax levy revenues.
- The boundary of a program would not have to align with the CRL area, potentially capturing additional opportunities.

Potential disadvantages of the tax exemption approach include:

- The City would have no discretion in which projects receive an exemption. All projects meeting criteria would qualify. This could be mitigated to some extent by a narrow definition of allowable projects.
- Exemption decisions would be subject to review and appeal, which could require resources to manage and adds risk to the process.
- Based on the size of the exemption offered, this will have a negative impact on revenues inside the CRL.

- Depending on the structure of an exemption program, exemption calculations may have to be performed after the City passes its tax bylaw, which may delay calculation and crediting of accounts.
- The administration of such an exemption program will require additional resourcing.

If a tax exemption is implemented, it would be reflected as a reduction in CRL revenues and a further decrease in the Downtown CRL Reserve (currently in a deficit position) over the tax exemption period for any projects in the Downtown CRL boundary. The effect on the overall CRL financial position at the end of the CRL life (2044) would depend on the design of the program and the level of uptake. The longer an exemption is in place, and the larger the proportion of uplift that is exempted, the greater the reduction will be on the CRL revenues and the reserve over the period of the exemption. Also, more projects participating in the program would mean more CRL revenue is exempted. The program could be net positive in the long term for the CRL if the incentivized projects would not have otherwise proceeded, as the taxation revenues would be allocated to the CRL after the exemption period ends if that is before the end of the CRL in 2044.

Should Council consider this approach, Council would need to direct Administration to develop a program and write a tax exemption bylaw to be brought forward for Council consideration. Administration estimates it would take up to six months to have a proposal for Council review.

<u>No Incentive</u>

Without an incentive, growth will be driven primarily by market demand. City-wide supports will continue to reduce site-specific barriers to development, including resources for affordable housing, infill infrastructure and brownfield remediation. The Downtown Action Plan implementation will progress and the Downtown CRL will continue to fund new catalyst projects, such as streetscapes and open spaces, to make the downtown more attractive to investment.

The City is also providing other incentives that are supporting downtown housing. These include the Downtown Student Housing Incentive (tentatively supporting more than 500 new units), the Infill Infrastructure Fund (supporting 1669 new units downtown) and the Village at Ice District Infrastructure project (supporting an initial 354 units by 2028 and up to 2500 in total).

Given time and continued efforts to improve safety, security and vibrancy in Downtown, it is expected that residential units will be absorbed, vacancy rates will decline and rents will rise to a point where new construction is viable. How long that process could take is challenging to predict; it depends on a wide range of factors including population growth and demographic trends, competition from other areas of the city, downtown employment growth and general prosperity.

<u>Financial Considerations of Attainable Housing Incentive (Grant Program)</u>

The incentive is structured as a 10 year tax rebate that is implemented as an operating grant. The CRL reserve is currently in a deficit position and is projected to be in a deficit position for the next several years. By structuring the grant as a rebate of tax uplift, the grant is timed to coincide with the resulting tax uplift, avoiding further draws from the CRL reserve from this program. Because this rebate program is an operating expense it cannot be financed though debt borrowing.

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The program's impact on the overall financial performance of the CRL depends on a number of factors, including the proportion of units that are attainable, which is not known until applications are submitted. If the proportion of units that are attainable is 25 per cent, then most of the property tax uplift will be available to fund other CRL projects or reduce the reserve deficit as only a portion of the uplift will be provided to the property owner as a tax rebate. If 100 per cent of units are attainable, then the program will be cash-flow neutral and no uplift from this program will be available to contribute to other CRL projects as the full uplift will be provided as a rebate.

In order to evaluate program effectiveness, Administration recommends a budget of $30 million. The $30 million will be incorporated in the CRL financial projections to be presented to Council during the CRL annual update in the Spring. These projections are the basis for the CRL budget adjustment brought forward as part of the Spring Municipal Tax Levy Confirmation. At that time, the CRL budget will be adjusted based on updated assessment figures and revised forecasts.

A $30 million budget would fund approximately 570 to 850 attainable residential units.

As an illustration of the financial implications, a 150 unit low-rise apartment building that has 100 per cent attainable units could receive $5.3 million in grant payments over 10 years. If that same building only had 25 per cent attainable units, it would receive $1.3 million in grant payments over 10 years while generating $4.0 million in net revenue for the CRL over that time period.

If 50 percent of units are attainable, projects qualifying for this program would contribute net revenue of approximately $30 million over 10 years to the CRL ($60 million in CRL revenue, offset by $30 million in grant payments).

Next Steps

If Council approves the recommendations outlined in this report:

- The program would accept applications as soon as an application form is made available on the City's website. Applications would be reviewed according to the Attainable Housing Incentive Program Guide and funding would be prioritized on a first-come, first-served basis.
- If approved, the initial budget of $30 million would be incorporated in the CRL financial projections to be presented to Council during the CRL annual update in April 2026. These projections are the basis for the CRL budget adjustment brought forward as part of the Spring Municipal Tax Levy Confirmation in April 2026.
- Conditional on budget approval:
    - Administration will enter into agreements with successful applicants, some of which may be above $1 million, as allowed pursuant to section 49(b) of the City Administration Bylaw, Bylaw 16620 in accordance with the terms and conditions outlined in Attachment 3.
    - Administration will disburse funds to the selected applicants in alignment with the approved general terms and conditions for each Attainable Housing Incentive Agreement.
- Administration would review the program annually and report to Council as part of the CRL annual reporting.

Budget/Financial Implications

Should Council choose to proceed with the Downtown Attainable Housing Incentive program, Administration will bring back a revised CRL cashflow plan updated to include the proposed grant expenditures of $30 million expected to take place over 12 years, offset with revenue from the tax uplift allocation to the Capital City Downtown CRL. The impacts to the 2026 budget will be brought forward for consideration in the 2026 Spring Municipal Tax Levy Confirmation report. The impacts to the 2027-2030 budget will be brought forward for consideration in the 2027-2030 Operating budget.

Legal Implications

Any approval of a grant funding agreement under this program would need to either be conditional on the approval of a budget, or wait until budget approval to execute. The approval of Attachment 3 will set the terms and conditions of any grant approved under section 49(b) of the City Administration Bylaw 16620 once a budget has been approved. Additional legal implications are included in private Attachment 4.

Community Insight

Administration has engaged with interested parties on the topic of downtown residential incentives extensively since 2022. These conversations have informed previous Council reports on mixed-market housing, office conversions, student housing and the Downtown CRL Plan. Through these conversations, Administration has engaged with more than 20 firms in the development industry as well as multiple industry organizations. Insights from these conversations have directly influenced the design of the proposed program, including insight into challenges in the current development market, defining what should qualify as attainable and the number of years needed to be effective. More information on what we heard is provided in Attachment 5.

GBA+

Edmonton's Housing Needs Assessment (included in the September 26, 2022, Community Services report CS01088, Updated Affordable Housing Strategy) explored available quantitative data supplemented with qualitative data from engagements with the housing sector and people with lived and living experience to determine the overall need for affordable housing in Edmonton and how housing need disproportionately impacts different segments of Edmonton's population. Data that is disaggregated by gender, race, disability, age and other grounds can reveal patterns of structural inequality. There were 13 priority population groups considered for the Housing Needs Assessment as well as income ranges indicating households ability to pay rent at 30% of income. Within the downtown neighborhood 18% of renters are in core housing need.

When considering housing options, each priority population group will have different needs and considerations. Most people do not fall into a single category. It is important to recognize that intersectional identities of multiple individuals within households can influence housing needs.

The Program is intended to increase the number of residential units available downtown and ensure that at least 25 per cent meet attainability criteria for a period of 10 years. It is not intended to provide new units specifically targeted to the 13 priority population groups. Program considerations on rental levels to the median renter income will assist with affordability overall in the rental market. The median renter income in Edmonton is $66,000 annually. Edmonton's Housing Need Assessment shows zero per cent of renter households in core housing need above the $70,000 rental range. This program is not expected to address households living in core housing need. Program participants would also be eligible to apply for other incentive programs, like the City's Affordable Housing Investment Program, which encourage development of affordable units.

Environment and Climate Review

Downtown revitalization and increased population density are positive for the environment in a number of ways. Higher density development is often seen as a key strategy for urban sustainability, primarily through an efficient use of resources and infrastructure, and it potentially reduces residential development at the edges of the city. At the same time, increased density and paved surfaces result in urban heat island effects, which are expected to increase with warmer temperatures due to climate change.

The Attainable Housing Incentive does not include climate resilience criteria for qualification and does not rank qualifying applications based on any climate resilience criteria. It is recognized that much of the direction for this work is set by provincial guidelines for the CRL. If there is an opportunity to rank qualifying applications to include climate resilience features that help to mitigate the Urban Heat Island effect, this would better align with the Climate Resilient Edmonton: Adaptation Strategy and Action Plan.

Additional information is provided in Attachment 6.

Attachments

1. Implications of Incentives on Housing Market
2. Attainable Housing Incentive - Program Guide
3. Attainable Housing Incentive - General Terms and Conditions
4. PRIVATE - Privileged Information
5. What We Heard - Summary
6. Environment and Climate Review