Residential Development Incentives Report

CBRM Housing Strategy - Phase 2
December 2024

Created for:

CAPE BRETON
REGIONAL MUNICIPALITY

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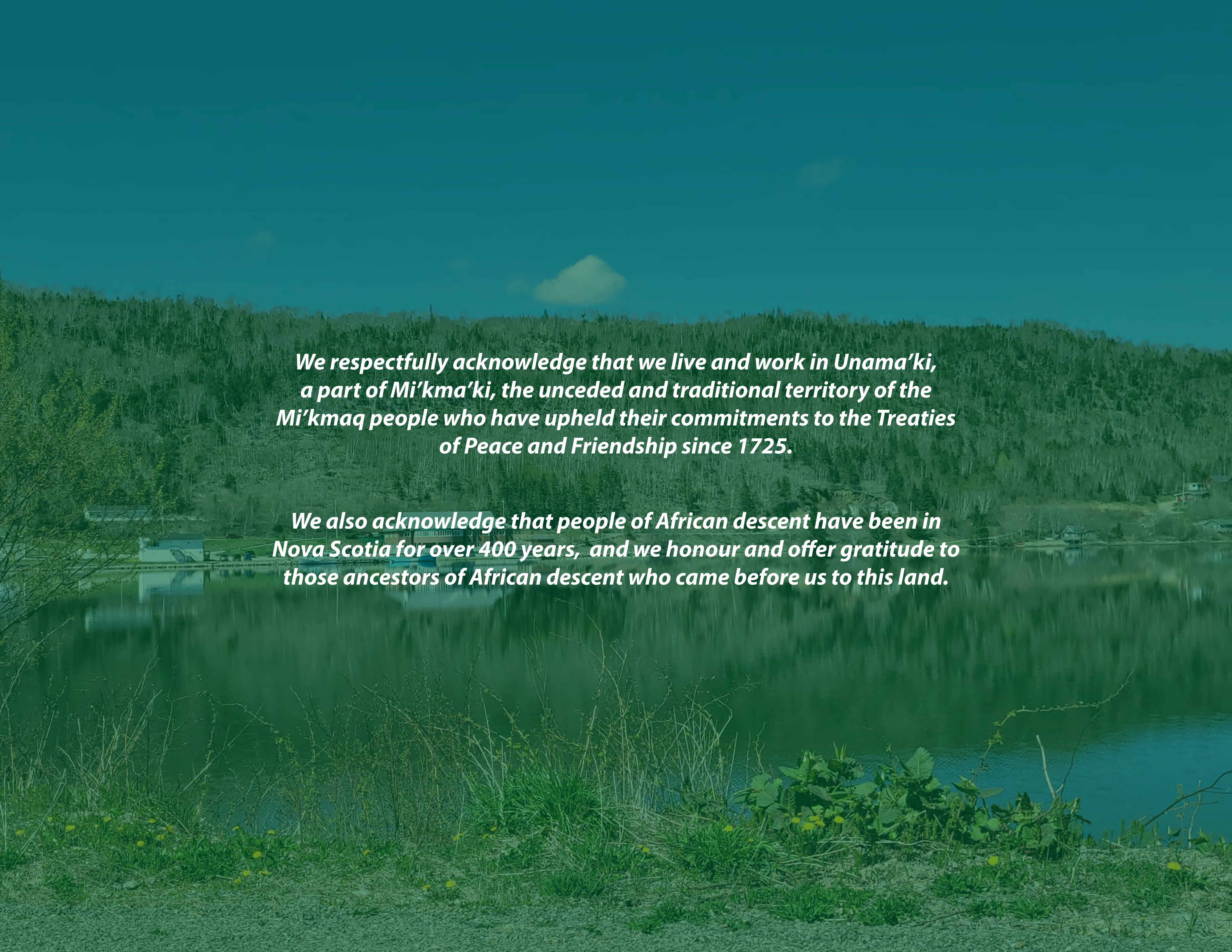

We respectfully acknowledge that we live and work in Unama'ki, a part of Mi'kma'ki, the unceded and traditional territory of the Mi'kmaq people who have upheld their commitments to the Treaties of Peace and Friendship since 1725.

We also acknowledge that people of African descent have been in Nova Scotia for over 400 years, and we honour and offer gratitude to those ancestors of African descent who came before us to this land.

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Thank you to everyone who has taken the time to speak with us or fill in the community survey about housing across CBRM. Your ideas, insights and experiences have been invaluable in helping us understand CBRM's housing past and present, and envision a better future. We would like to thank and acknowledge those who have been working for years to improve housing across CBRM. This project is built on the work of these individuals and organizations. We are honoured to be a part of CBRM's housing story.

Sydney, NS
(Source: FBM, June 2024)

Executive Summary

The Cape Breton Regional Municipality (CBRM) is in a unique position where years of declining population and slowly degrading housing stock have led CBRM's communities to struggle to provide adequate, suitable, and affordable housing to new and existing residents alike.

The objective of the residential development incentives research was to explore feasible incentives that CBRM could offer that would help to address this issue. The research included case studies, regulatory reviews, and development of a financial feasibility model.

What is the current state of housing incentives in CBRM?

While CBRM does not build housing as a municipal government, municipal planning frameworks have been identified as one of the key factors that can enable or limit the rapid increase in housing supply.

In 2023, CBRM applied for and received Housing Accelerator Funding from the Canada Mortgage and Housing Corporation for eight initiatives aimed at building housing more quickly. This led to the establishment of the **Affordable Housing Grant Policy** in April 2024. This policy provides a one-time grant of up to $200,000 ($20,000 per unit) for property owners building affordable housing units where the rent does not exceed 30% of a tenant's gross annual household income.

The CBRM **Affordable Housing Property Tax Adjustment Policy** offers a reduction of property tax over the period of ten years. Tax rates are relatively high in CBRM due to a combination of low assessed property values and significant infrastructure liabilities. While property tax adjustments represent a large opportunity to incentivize housing development, the existing Tax Adjustment Policy winds down the perpetuity over the course of ten years. Conversations with non-profit housing developers suggested that a flat adjustment in perpetuity would make projects more financially viable.

Which housing incentives can be feasible in CBRM?

- **Grants for specific housing forms**: In addition to the existing Housing Grant Policy, CBRM can explore grants to encourage the creation of more diverse housing options, which can include prefabricated housing, modular homes, and backyard/secondary suites.

- **Low-cost land sales**: Municipal sale of surplus lands at below market prices can make affordable housing projects more viable. Despite the fact that the price of land in CBRM is relatively low, non-profit housing developers often struggle with acquiring land due to a lack of equity funding. This makes low-cost land sales a potentially impactful incentive. Given the large inventory of surplus lands in CBRM, the Municipality can identify parcels that can be most compatible for residential development.

- **Waiving of development fees**: Currently, CBRM offers very low permitting fees. However, developers often require proof of a building permit before they can receive funding. Like low-cost land sales, waiving of development fees is also a straightforward program that can support existing non-profit housing initiatives working to provide affordable housing in CBRM.

- **Housing rehabilitation programs** and **energy efficiency upgrades**: These incentives can address the desperate need to reduce the financial burden on residents of repairing and upgrading older housing stock. CBRM can also explore opportunities to collaborate with existing initiatives such as Cape Breton Affordable Housing Renovation Partnership to coordinate funding.

Which housing incentives will be least feasible in CBRM?

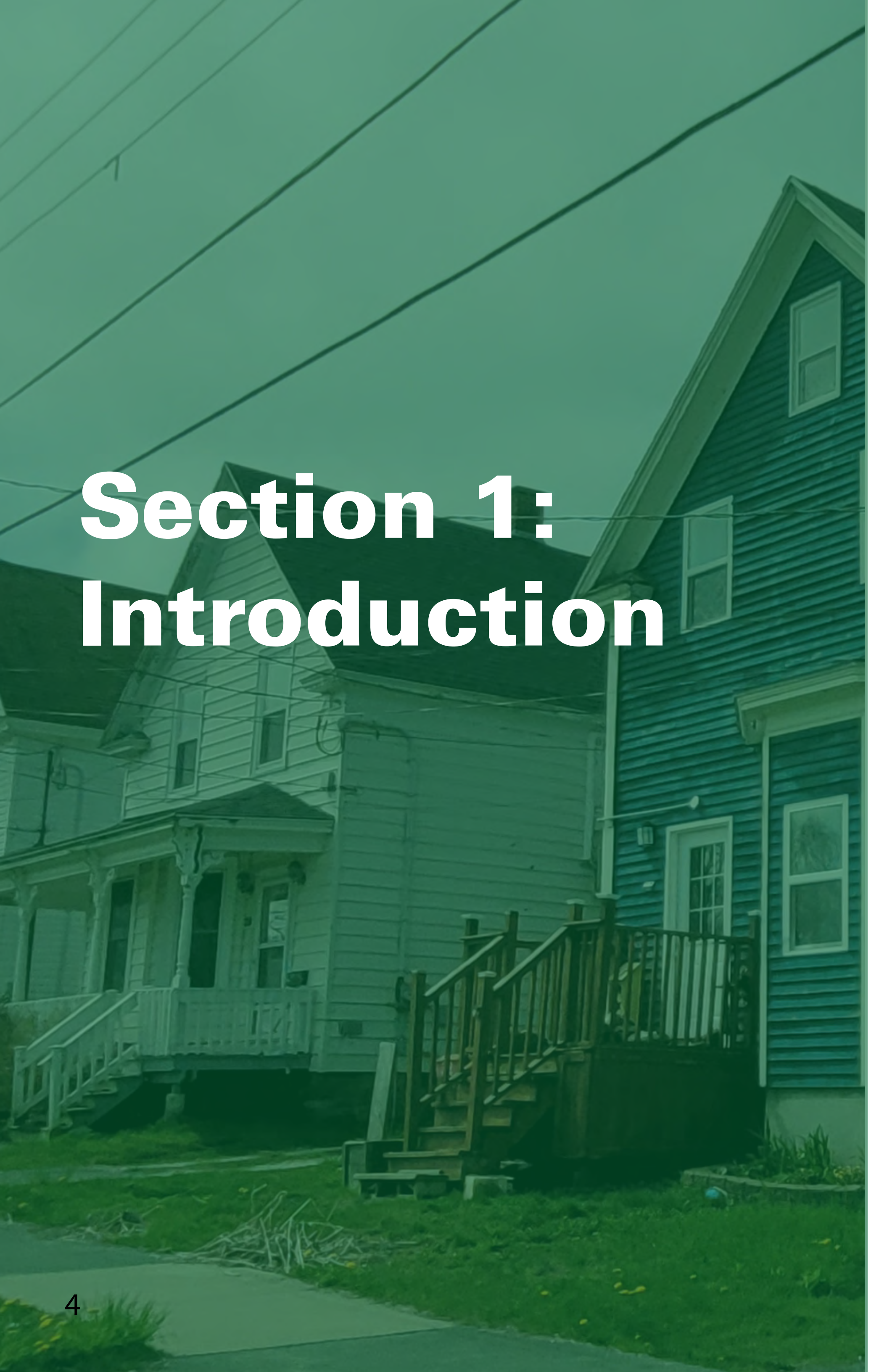
- **Inclusionary zoning** and **density bonusing** often result in additional administrative burdens on the municipality side to monitor and enforce the development of affordable housing. Additionally, these programs are unlikely to create positive results because they will increase the cost of development at a time when there is already a lack of incentive for the development of high density residential uses.

- Incentives that could help fund infrastructure investment, such as **development charges**, can also lead to higher development costs and discourage housing development in CBRM.

- **Tax incremental financing** is currently not an option under Nova Scotian legislation.

What is next for the project?

The findings from this report will inform the project as we move forward into Phase 3. Phase 3 will focus on working with the Municipality and stakeholders to select and further define the most relevant incentive programs for more detailed program design. Phase 3 includes further community engagement along with a review of surplus lands in CBRM and land banking case studies.



Section 1: Introduction

Across Canada, the existing housing supply is not meeting the needs of the population and housing is unaffordable. The Cape Breton Regional Municipality (CBRM) is in a unique position where years of declining population and slowly degrading housing stock have led CBRM's communities to struggle to provide adequate, suitable, and affordable housing to new and existing residents alike.

Within CBRM many efforts are being made to address housing including undertaking a Housing Strategy to identify existing housing challenges, opportunities, and solutions. Phase 1 of this strategy involved stakeholder engagement and intensive background research to form the foundation of this project. The Phase 1 What We Heard Report and Cape Breton's Housing Story can be found on the Housing Strategy webpage.

This report presents key findings from Phase 2 of the project, which focuses on residential development incentive program options. The goal of this phase has been to explore different types of incentives used in other municipalities and consider whether they will be impactful in CBRM. A separate What We Heard report will capture stakeholder engagement from this phase.

What is this Project About?

The Cape Breton Regional Municipality (CBRM) is developing a Housing Strategy to identify existing housing challenges, opportunities and solutions.

This work will include:

- Public and stakeholder engagement to inform the Housing Strategy;
- Recommendations for a potential new comprehensive residential development incentive program;
- Identification of municipally-owned surplus lands suitable for residential development;
- Residential development incentive program analysis, including a land development framework, policy and regulatory review, and financial feasibility assessment; and
- Implementation of a road map and monitoring and evaluation framework.

This Housing Strategy will provide a framework for CBRM to support housing across the municipality. It will serve as a comprehensive and measurable plan to increase the amount of housing in CBRM's communities while promoting sustainable growth and development.

This report presents key findings from Phase 2 of the project. Residential development incentive options are introduced through case studies, which are then summarized with an initial analysis to consider which are most applicable to CBRM. The report draws on insights gleaned from Phase 1 to inform this analysis. A policy and regulatory review is integrated throughout the report as we consider how existing legislation may interact with each incentive program. To further understand potential costs for the municipality, we also present the findings from a financial feasibility model.

Policy and Regulatory Review

Applicable policies and legislation are considered throughout this report for their impact on potential housing development incentives. Key sections from regulatory documents are presented at the end of each incentive program summary in a Primary Legislative References section. The *Municipal Government Act* (MGA) is the primary reference in these sections. Other legislation that may be considered in later stages of this project could include the Assessment Act and the Municipal Housing Corporations Act, should they become relevant.

Other key policy documents were already reviewed in *Phase 1 - The Housing Story* document found online for details.

Nova Scotia Housing Initiatives

Nova Scotia addresses housing challenges in multiple ways. A summary of Nova Scotia Housing Programs is presented in the **Appendix**. In this report, we focus on housing initiatives in CBRM.

Nova Scotia Neighborhoods: Kearney Lake Rd. meets Bedford Hwy
(Source: Andrew Perkins Real Estate, January 12, 2024)

What Housing Initiatives has CBRM been Working on?

In recent years, Cape Breton Regional Municipality has actioned a number of initiatives aimed at improving the housing situation. As a municipal government, CBRM does not build housing, but they do enforce the building code and land use bylaws which shape the look and feel of communities.

In 2023, CBRM applied for and received Housing Accelerator Funding from the Canada Mortgage and Housing Corporation for eight initiatives aimed at building more homes faster. Many of these actions are already underway, including the establishment of an Affordable Housing Grant Policy in April 2024. This policy provides up to $200,000 ($20,000 per unit) for the development of affordable housing units where the rent does not exceed 30% of a tenant's gross annual household income.

In May 2024, Council also passed the Shared Dwelling License Bylaw which requires shared dwelling owners/operators to obtain a license to legally operate in CBRM and comply with all applicable CBRM bylaws along with Nova Scotia Building Code Regulations, National Building Code, and Fire Safety Regulations.

In spring 2024, CBRM launched two new initiatives aimed directly at housing. The first is aimed at developing pre-approved building designs which fit into CBRM's existing neighbourhoods and can be built quickly. The second is the development of this Housing Strategy to coordinate CBRM's housing efforts and chart a path for a better housing future.

CBRM Housing Accelerator Fund Initiatives

1. Community Climate Adaptation & Land Banking
   - Develop approach for land banking for affordable housing development and climate sensitive design
2. Transit Oriented Development & Promotion of High-Density Development
   - Regulatory changes to promote intensification and mixed-use housing in urban serviced areas
3. Parking Requirement Modernization
   - Creation of parking strategy and elimination of parking minimums
4. Affordable Housing Construction Program
   - Provide incentives for affordable housing projects
5. Infill & Gentle Density Initiative
   - Create pre-approved housing plans for small scale residential infill up to 6 units
6. Housing Incentives Initiative
   - Analyze and implement tax incentive program for residential development
7. E-Permitting System
   - Design and implement new online permitting system

This Housing Strategy project moves forward several of the above initiatives, particularly numbers 1, 4, and 6.

CBRM's Jurisdiction and Responsibilities

While municipalities in Nova Scotia are not mandated to provide affordable housing itself, the municipal role in supporting a healthy and varied supply of housing and housing affordability is becoming recognized more and more. Indeed, municipal planning frameworks have been identified as one of the key factors limiting (or enabling) the rapid increase in housing supply. Planning rules, along with municipal infrastructure systems, play a direct role in determining how easily housing can be built.

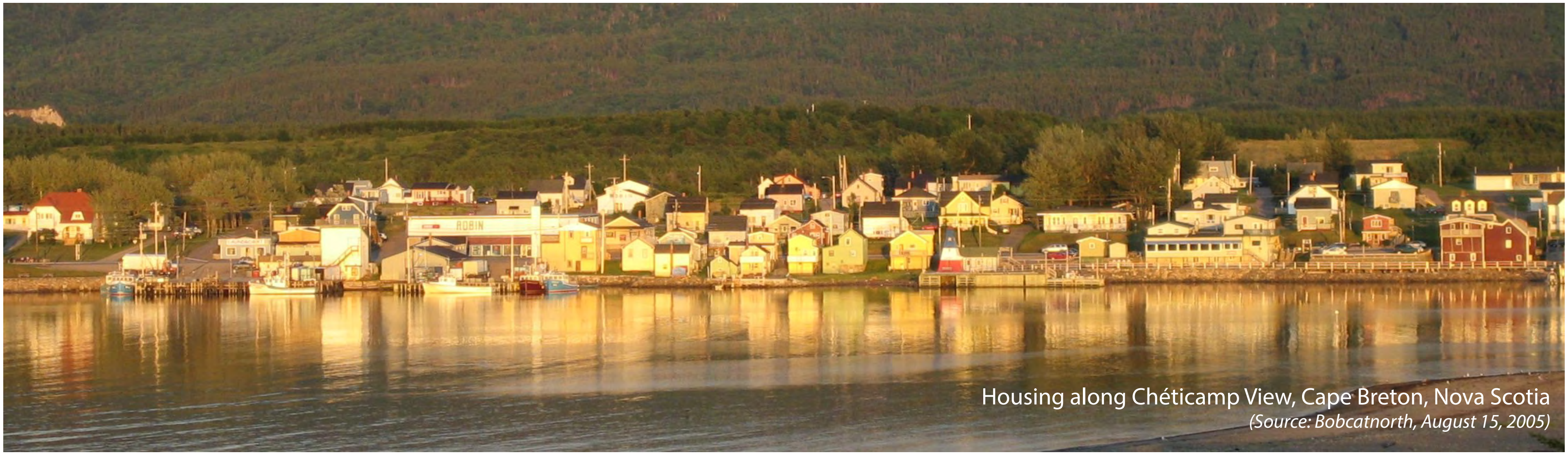
Municipal programs, supports, grants, and policies also increase the feasibility of housing projects, especially given the very local nature of housing development. Decisions made by councils in areas relating to housing, therefore, directly influence the safety and viability of the community.

The municipal role is also supported in legislation. The list of municipal purposes for which councils may make by-laws, for example, includes as the first topic the health, well-being, safety and protection of persons, followed by the safety and protection of property (section 172 of the *Municipal Government Act*).

The Province's statement of provincial interest on housing further assigns a duty to municipalities to address housing in their planning documents:

- *Planning documents must include housing policies addressing affordable housing, special-needs housing and rental accommodation. This includes assessing the need and supply of these housing types and developing solutions appropriate to the planning area. The definition of the terms affordable housing, special-needs housing and rental housing is left to the individual municipality to define in the context of its individual situation.*

Housing is recognized as a human right and a significant social determinant of health, making action at all levels and coordination between levels of government all the more important.



Housing along Chéticamp View, Cape Breton, Nova Scotia
(Source: Bobcatnorth, August 15, 2005)

CBRM Housing Development Incentives

As of 2024, CBRM offers two incentives under the *Municipal Government Act*, Section 57(4) to encourage new construction of affordable housing through the **Affordable Housing Grant Policy** and the **Affordable Housing Property Tax Adjustment Policy**.

For both programs, "affordable housing" is defined as a dwelling unit that meets one of the following requirements:

- *Definition 1: Rent does not exceed 30% of the gross annual household income; or*
- *Definition 2: Rent is at 80% or below the average market rent as defined by the Canada Mortgage and Housing Corporation (CMHC) for the Municipality*[1].

Applicants for both programs must agree to maintain the affordability requirement for at least ten years.

The **CBRM Affordable Housing Grant Policy** offers a one-time grant for property owners who construct new affordable housing within CBRM. Applications for this program will be open until December 31, 2026, or until all funds in the Affordable Housing Reserve are distributed to approved projects.

Eligibility criteria:

- Eligible applicants must have a valid building permit and development permit issued between 2024 and 2026.
- Eligible projects include converted dwellings and construction of new secondary suites, accessory dwellings, apartments, townhouses or two-unit dwellings[2].
- Applicants must complete an annual statement every year confirming that each of their units still meets the affordable housing definition to maintain their eligibility.

Financial details:

- If the project meets the first definition of affordable housing (i.e., the rent must not exceed 30% of the gross annual household income), then the project will receive the base amount of $20,000 per affordable housing unit to a maximum of $200,000 per project.
- If the project meets the second definition of affordable housing, then the project will receive the base amount of $18,000 per affordable housing dwelling unit to a maximum of $160,000 per project.
- A bonus fund of $2,000 per affordable housing dwelling unit is available for projects that have a letter from the provincial government of Nova Scotia and/or the Government of Canada confirming their support to gain additional funding.


North Sydney, Cape Breton
(Source: Wheree,.com, Accessed December 9, 2024)

1 CBRM Official Website (2024). Housing and Development Support Program.
2 CBRM Affordable Housing Grant Policy (2024). 6(2).

The **CBRM Affordable Housing Property Tax Adjustment Policy** aims to encourage developers to offer new affordable housing by offering a reduction of property tax over the period of ten years. CBRM will conduct a review of this policy within six years from its implementation to evaluate whether the program should continue to be offered.

Eligibility criteria:

- This program is available for developers who construct four or more new affordable housing units with a building permit and development permit issued in 2024 or later.
- Applicants must sign a Tax Adjustment Agreement with the Municipality before receiving the property tax reduction.

Financial details:

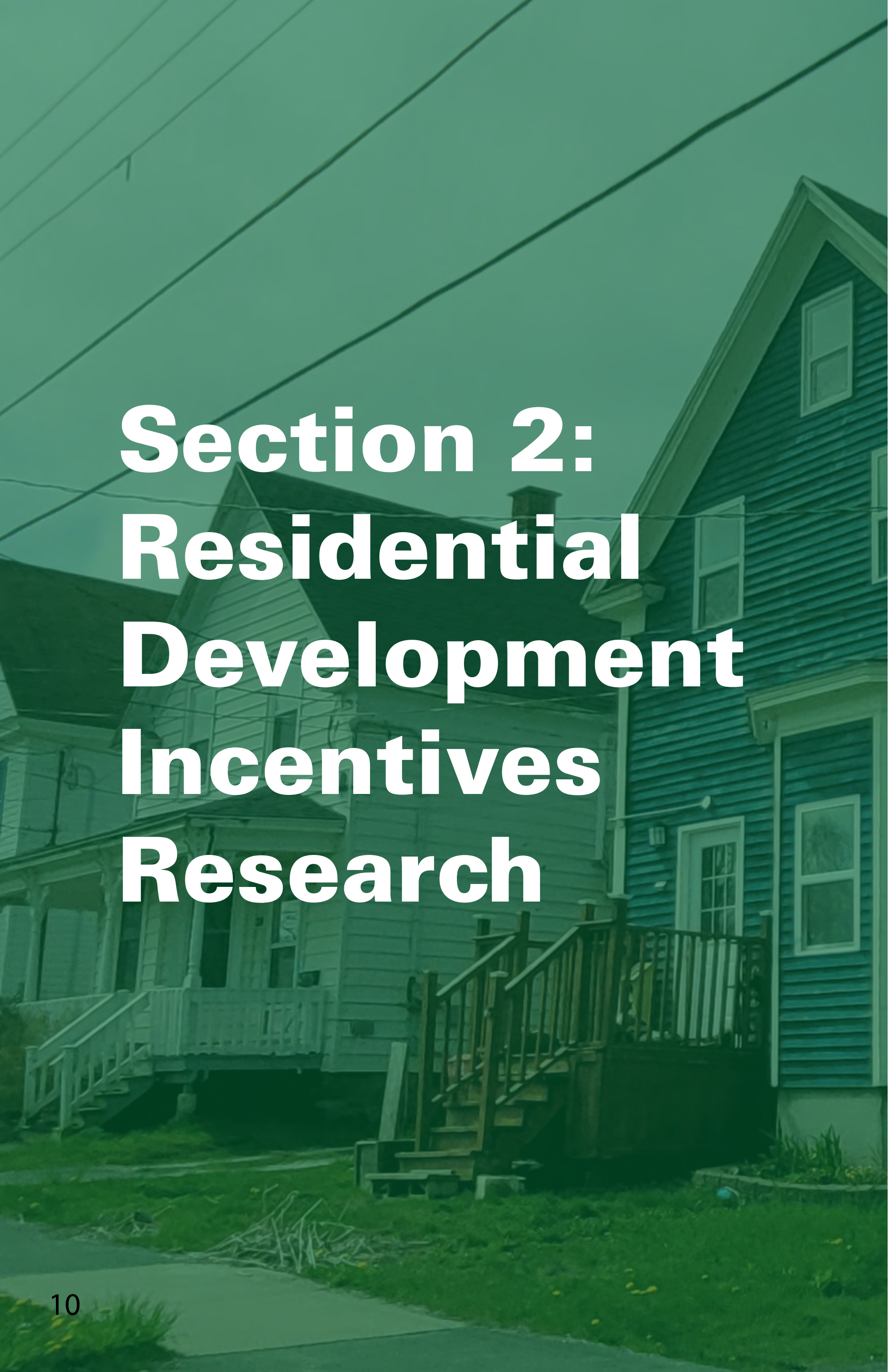
- The reduction of property tax will apply for up to ten years by the following rate:
    - 90% reduction of municipal property tax in years 1-2
    - 75% reduction of municipal property tax in years 3-4
    - 60% reduction of municipal property tax in years 5-6
    - 45% reduction of municipal property tax in years 7-8
    - 30% reduction of municipal property tax in years 9-10[1].

Our team would have recommended offering grants for affordable housing and property tax reductions if those incentives were not already in place in CBRM. The next section will examine other incentive programs that CBRM could consider, followed by an analysis of which are most relevant.

Baddeck Bay, Cape Breton
(Source: Nova Scotia Official Website, Baddeck, accessed December 9, 2024)

Meat Cove, Cape Breton
(Source: Nova Scotia Official Website, Cape North & area, accessed December 9, 2024)

1 CBRM Affordable Housing Property Tax Adjustment Policy (2024). 7(5).



Section 2: Residential Development Incentives Research

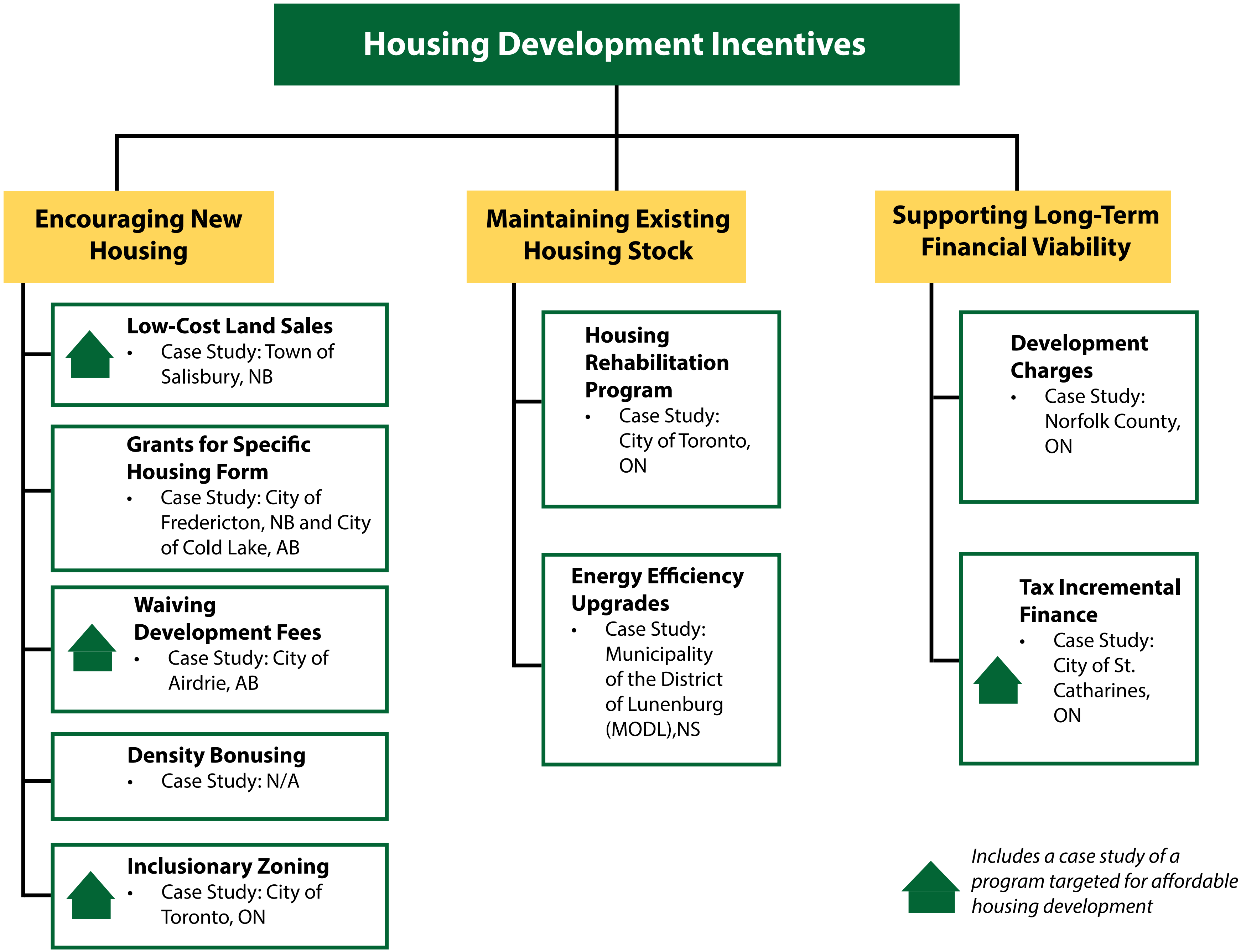
As part of the Housing Strategy, we are exploring potential incentive programs that CBRM could use to 1) **encourage new housing,** 2) **maintain the existing housing stock**, and 3) **support the long term financial viability**. Incentive programs are intended to motivate property owners and potential developers to take a certain action by lowering the risk or cost of taking that action.

The research included a policy and regulatory review for each incentive to determine if CBRM could pursue these incentives within their current authority. The review of policies and regulatory authority has been undertaken at a high level to assess generally whether a potential area of action is currently enabled or might require legislative or other amendments.

The research is structured in the following outline:

- What is the incentive?
- How is it typically used?
- Key elements for program success
- Opportunities for CBRM: offers connections with the current housing needs in CBRM.
- Policy and viability considerations: offers a high-level analysis of the feasibility from a legal perspective. Primary legislative reference includes a list of specific enabling policies in the *Municipal Government Act*.
- Case study: identify and profile housing development incentives in comparable municipalities.
- Incentive summary and analysis: summarizes key findings from the research and provides an initial analysis of which housing incentives could be most and least feasible in the context of CBRM.

Figure 1. Summary of Housing Development Incentives



Encouraging New Housing

We begin with five types of development incentives that are aimed at making it easier to build new housing.

Low-Cost Land Sales

What is the incentive?

In some communities, the cost of land can significantly drive up the overall cost of building housing. Municipalities can sell surplus public land for less than market value and therefore lessen financial barriers to accessing land for residential development.

How is it typically used?

Depending on the size of the municipality and their real estate assets, land sales can be for a single land parcel or for multiple lots. In recent years, a number of small municipalities across Canada have sold land for $1 to $10 a lot to encourage residential development. This approach is more common in communities where growth was stagnating, for example:

- Town of Cochrane, ON
- Village of McAdam, NB
- Reston, MB

Each of these communities have seen significant interest in their low-cost land schemes which are commonly geared to individuals or families looking to build a home in the community. The novelty of a $1 lot has also gained the attention of media outlets and developers interested in multi-lot developments.

In more urban municipalities where land costs are often higher, low-cost land sales tend to be targeted toward affordable housing developments by non-profit or government agencies. The City of Brandon (Manitoba) is one such example where the City developed a high level concept plan for a new residential development to support people experiencing homelessness[1].

1 Rosen (2024, Feb 28). City of Brandom selling property for $1. CTV News Winnipeg.

In recent years, Halifax Regional Municipality (HRM) has also designated a number of surplus lands for new affordable housing projects and donated the land to non-profit organizations like Affordable Housing Nova Scotia for $1[2]. Low-cost land sales tend to have the greatest impact on development feasibility when land availability is low and the cost of land is high; however, there are still significant opportunities for municipalities like CBRM where many surplus properties are available and the cost of land is relatively low.

Key elements for program success

- Prioritize lands within higher density zones near transit, and daily goods and services for residential development.
- Utilize incentives, penalties and/or sunset clauses to ensure development occurs on municipal lands that are sold[3].
- Lease land instead of selling it to maintain equity in the land long term[4].

Opportunities for CBRM

The Municipality has a large inventory of surplus lands ranging in size and compatibility for residential development. Phase 3 (the next phase) of this Housing Strategy will assess which surplus lands would be most suitable for residential development and will also consider land banking strategies.

Opportunities include:

- Prioritize making available for sale usable surplus lands that would allow for pre-approved housing plans to be used on site.
- Customize the sale price of surplus lands based on target audience (e.g. non-profits, co-ops, first time homeowners, developers).
- Explore gifting land for community land trusts, especially in historically marginalized communities in CBRM.

2 Frisko (2023, Dec 12). 'It's fantastic and it's so helpful': HRM designates more surplus lands for affordable housing. CTV News Atlantic.

3 Kim, Long, Sheikh, Zecevic & Saini. (2022) Unlocking Municipal Land: Exploring Tools for Affordable Housing in the City of Hamilton. McMaster University.

4 Ibid

Viability and policy considerations

Developing a policy and program for the disposal of surplus municipal lands is fairly straightforward, with many available examples from which we can learn.

Policy considerations:

- The requirement under section 51B of the *Municipal Government Act* for public notice when selling or leasing land at a price less than market value, and a public hearing if the property is valued at more than $10,000 would need to build those requirements into the process timeline.

Primary Legislative Reference:

- *Municipal Government Act* 50-51B: Sale or lease of municipal property

Figure 2. Case Study Location: Salisbury, New Brunswick
(Source: Town of Salisbury Official Website)

Case Study: Municipal Surplus Land and Land Acquisition Policy

Municipality: Town of Salisbury, NB
Population: 3,488 (2023)
Local context: 25 km SW of Moncton
Legislative authority: Local Government Act, SNB 2017, C.18 & Community Planning Act, Section 76

Overview of incentive program:

The Town of Salisbury's Municipal Surplus Land and Land Acquisition Policy (2024) outlines the Town's process for acquiring land and disposing of public land. The policy specifically enables the Town to solicit proposals for alternative uses such as housing in order to maximize the land or meet their strategic objectives.

When Council deems land as surplus via a Closed Session meeting, they have the opportunity to pass as a resolution the intended use of the surplus lands (e.g. housing, commercial, etc). The policy allows the Town to sell land via public direct sale for the highest price when it is intended for economic development. However, the Town reserves the right to invite not-for-profit developers/organizations to submit proposals (primary for affordable and suitable residential development) via a non-public process. The policy states that lands transferred through this process shall generally be sold for $1.

All proposals are evaluated by the CAO or their designate with Administrative support as requested. Up to 3 proponents are shortlisted and have the opportunity to present their proposals to Council who utilize an evaluation matrix to determine the successful proponent.

Eligibility criteria:

The policy does not detail any eligibility criteria for individuals or organizations looking to purchase publicly announced surplus lands. No definition or criteria is given for not-for-profit developers either.

The Town does have the ability to include mandatory conditions of sale including timeframes and land uses that must be agreed to when proponents submit a bid.

Financial details:

When surplus lands are disposed of for housing or economic development, the policy requires a minimum of 50% of the revenue from the sale to be earmarked for future use(s) related to housing (e.g. additional land purchases for future disposal, developer agreement incentives, etc).

Affordable housing details:

- Affordable housing definition: CMHC standard (housing at a rate of less than 30% of a household's before tax income)
- Target demographic(s): None specified

Recent updates:

In April 2024, the Town announced a partnership with the Housing Hub of New Brunswick to explore the development potential for a 28 acre municipal land parcel to provide a range of housing options[1]. The project is funded in part by Government of New Brunswick's Pre-Infrastructure Housing Fund which is aimed at increasing the number of safe and affordable housing options in the province.

1 Landry (2024, April 16). Town Partnering with Housing Hub of New Brunswick to Explore Residential Development on Municipal Lands. Town of Salisbury

Grants for Specific Housing Forms

What is the incentive?

This incentive aims to encourage more diverse housing options by providing grants for the development of alternative housing forms, including cooperative housing and secondary suites.

How is it typically used?

Municipalities typically provide grants based on a set of evaluation criteria, including compliance with zoning regulations and the number of residential units in the project. Developers are also usually required to construct those residential units within a specified length of time to ensure that those units would be available in a timely manner.

In Nova Scotia, the Provincial government offers a Secondary and Backyard Suite Incentive Program, which provides a loan to homeowners building a self-contained secondary suite or backyard suite within their primary home property. The funding will cover up to 50% of eligible project costs, to a maximum of $40,000. Eligible project cost will include design fees, cost for materials, and cost to purchase and place a prefabricated backyard suite on the property.

Key elements for program success

- Provide a clear eligibility criteria and include non-profit organizations whenever possible.
- Offer an efficient approval process and clear funding calculations.

Opportunities for CBRM

- Encourage developers to offer more diverse housing options, including housing types of interest to CBRM. Phase 1 survey indicated that there was a need for co-operative housing, accessory dwelling units, and student housing.

Viability and policy considerations

Grants are a fairly straightforward approach but would involve municipal funds if provincial or federal funding is not already available. Further research into what grants are available would be needed. A legal assessment would be required to confirm whether specific program approaches are consistent with the *Municipal Government Act (MGA)*.

There may be an opportunity for homeowners or housing providers to stack funding. Program considerations would largely relate to grant set-up and approaches (one-time amount, on-going, or proposal-based vs first-come-first-served). These types of grant programs range from the very simple to more administratively burdensome.

Primary Legislative References:

- *Municipal Government Act* (MGA) 9A(b) and (c) - Municipal purposes
- MGA 57(4) – Business and Industrial Development
- MGA 65A – Spending for municipal purposes and budgets
- Housing Supply and Services Act 13 – options for limits on municipal taxes

Figure 3. Example of Secondary Suite, Seattle, Washington
(Source: Sightline Institute, Missing Middle Homes Photo Library)

Case Study 1: Modular and Manufactured Grant

Municipality: City of Fredericton, New Brunswick
Population: 69,406 (2023)
Local context: Provincial capital of New Brunswick
Legislative authority: Local Governance Act, SNB 2017, C.18, Section 102

Overview of incentive program:

The Modular and Manufactured Grant (2024) is a recent addition to the Housing Accelerator (HAF) Grant Initiatives administered through the City of Fredericton. This program offers grants to developers who choose to create new residential units by building prefabricated modular homes. Applicants complete an application form, include the HAF program approval letter, provide confirmation that all units are new, and that the development meets the CSA Standard Z-240 and Z-240-16.

Eligibility criteria:

Both for-profit and non-profit developers are eligible to apply for this program. The project must offer a minimum of three residential units and rental projects are required to offer at least six months of tenancies. While projects located within the City of Fredericton will be eligible for this program, priority will be given to projects within the "Urban Core" (including City Centre, North and South Shore) and the "New Neighbourhoods". Student apartment-style housing will also be eligible for this program if those units are self-contained including kitchen, living space, and private bathrooms.

Financial details:

Approved applicants receive up to a $20,000 grant per unit. The source of grants is the $10-million Housing Accelerator Fund.

Affordable housing details: N/A
Recent updates: N/A

Case Study 2: Secondary Suite Development Incentive

Municipality: City of Cold Lake, Alberta
Population: 16,694 (2023)
Local context: Located in Alberta's "Lakeland" district, 300 km NE of Edmonton
Legislative authority: Municipal Government Act, R.S.A. 2000

Overview of incentive program:

The Secondary Suite Development Incentive Program offers an incentive of $5,000 to property owners who choose to create new secondary suites or to legalize existing secondary suites. This program aims to increase the stock of rental housing in the City.

Eligibility criteria:

The suite must 1) be in an appropriately zoned residential district and 2) have approved development and building permits. Applicants must also complete the construction of the suite within twelve months upon approval.

Financial details:

The budget for this program is capped at $100,000 to provide grants for up to 20 units. The funding will be given on a first-come, first served basis. Once the project is approved by the City Council, this program will run for a one year period or until the maximum number of secondary suites have been funded.

Affordable housing details: N/A

Recent updates:

In July 2024, the City of Cold Lake approved three secondary suites under the Secondary Suite Development Incentive Program. This is the first approval under the program[1].

1 Smyl (2024, July 17). Secondary Suite Incentive Program gains momentum in Cold Lake, My Lakeland Now.

Waiving Development Fees

What is the incentive?

Developers pay development fees to municipalities to build their new projects. Development fees can include fees for development permits, building permits, and fees to have construction approved by the municipality.

While development fees can help municipalities pay for the cost of infrastructure and municipal services, development fees can be a significant financial burden particularly on non-profit organizations, which often experience limited access to funding for development. By waiving development fees, municipalities aim to reduce the financial burden on those non-profit developers and support development for affordable housing.

How is it typically used?

The waiver of development fees is typically used to support non-profit or charitable organizations building affordable housing. This program can offer a waiver of development permit fees, building permit fees, and expenses associated with engineering (examples include excavation and barricade permits).

In 2020, Halifax Regional Council approved amendments to the By-laws and Administrative Order 15 to waive the majority of municipal fees for registered non-profit and charitable organizations developing residential buildings[1]. The applicant must be under registration for a minimum of one year and at least 60% of the development must be for housing.

Key elements for program success

- Specify a list of fees that can be exempted, which can help developers estimate the cost of development.
- Offer a streamlined application process by creating a clear set of criteria for fee exemption.

1 Halifax Regional Municipality (2024). Waiving of Municipal Fees.

Opportunities for CBRM

- Explore opportunities for collaboration with local non-profit organizations to develop the framework that will be feasible to those organizations
- Customize the list of development fees that can be exempted based on target audience (e.g., for-profit organizations, non-profit organizations)

Viability and Policy Considerations

Waiving development fees can be fairly straightforward but has the potential for limited impact if development fees are not that high in the first place. There are also concerns at times that such an approach can devalue the scale of the work that goes into approval processes. For affordable housing providers, however, every savings can add to the potential viability of a project and direct engagement with housing providers may provide more information on the value of such a program in the local context.

Primary Legislative References:

- *Municipal Government Act (*MGA) 9A(b) and (c) - Municipal purposes
- MGA 65A – Spending for municipal purposes and budgets
- MGA 57(4) – Business and Industrial Development

Case Study: Affordable Housing Incentive Policy

Municipality: City of Airdrie, Alberta
Population: 80,649 (2023)
Local context: 40km north of Calgary
Legislative authority: Municipal Government Act, RSA 2000, c M-26

Overview of incentive program:

The Affordable Housing Incentive Policy was adopted by the City Council in September 2023. This policy aimed to encourage the development of affordable housing by waiving fees for municipal development permits and the municipal portion of the building permit fee. Once approved, developers need to form a legal agreement with the City that developers will commit to provide affordable housing for at least 15 years.

Eligibility criteria:

Both for-profit and non-profit organizations are eligible for this program. All applicants must submit a formal request to the City to confirm that their project is qualified to apply for the fee exemption.

- Eligibility requirements for non-profit applicants:
    - Non-profit applicants are required to provide documentation to prove that they are non-profit organizations in their fee exemption application.
    - If their housing development is a mixed-market project, all units will be eligible for a fee exemption application.
- Eligibility requirements for for-profit applicants:
    - Applicants must have approval from a federal or provincial affordability-focused program (for example, programs offered by CMHC).
    - If their housing development is a mixed-market project, units designated as affordable housing will be considered for a fee exemption.

Financial details:

Exempt fees include costs associated with building, rebuilding, inspection, and plan review.

Affordable housing details

Affordable housing is defined as: "Dwelling units with a market price or rent that are affordable to households earning 65% or less of the median household income in Airdrie, without spending more than 30% of their gross income on housing"

Recent updates: N/A

Density Bonusing

What is the incentive?

Density bonusing is a development incentive that allows developers additional height or density beyond zoning restrictions if the development would contribute to the public realm and livability. Density bonusing is a common practice in urban places in Canada. The objective of density bonusing is to increase the availability of affordable housing by generating funding from major developments.

How is it typically used?

Density bonusing is a tool intended to benefit both developers and the public. Developers can gain additional density for their project while municipalities can meet public amenity needs, including childcare facilities and affordable housing.

Another related approach is community amenity contributions. In this approach, private developers offer community amenities, such as open spaces, family-oriented housing, and improved sidewalks, in exchange for constructing a building that is larger than what is permitted under the existing zoning.

Halifax has bonus zoning in the Regional Centre under the Downtown Halifax Plan and Centre Plan. In 2023, the Regional Council began to explore opportunities to expand the bonus zoning framework outside of the Regional Centre in response to rapid population growth in the Municipality. The HRM Charter defines bonus zoning as "requirements that permit the relaxation of certain requirements if an applicant exceeds other requirements or undertakes other action, in the public interest, as specified in the requirements"[1].

Key elements for program success

- Develop consistent, shared values and objectives between municipalities and developers on public needs and community benefits[2].

1 Halifax Regional Council (2023, February 21). Case 24063: Interim Incentive or Bonus Zoning Program outside of the Regional Centre.
2 World Bank Group (2020). Toronto: Density Bonuses in Exchange for Community Benefits – Case Study.

- Ensure that projects using density bonusing program will be compatible with surrounding uses.

Opportunities for CBRM

- Given the recent trend in population growth, density bonusing can contribute to gradually increasing density of residential neighbourhoods while enhancing public services. Additional public amenities can also lead to a more complete sense of community, which can also attract young families seeking to live and work in CBRM.

Viability and policy considerations

Bonusing programs only work as an incentive when the bonus is sufficient to offset the private contribution, whether it is in the form of public amenities, affordable units, etc. Engagement with local developers and builders would be needed to identify what level of bonusing would successfully encourage the desired outcome.

Primary Legislative Reference:

- *Municipal Government Act* Section 220(5)(k) - Content of land-use by-law

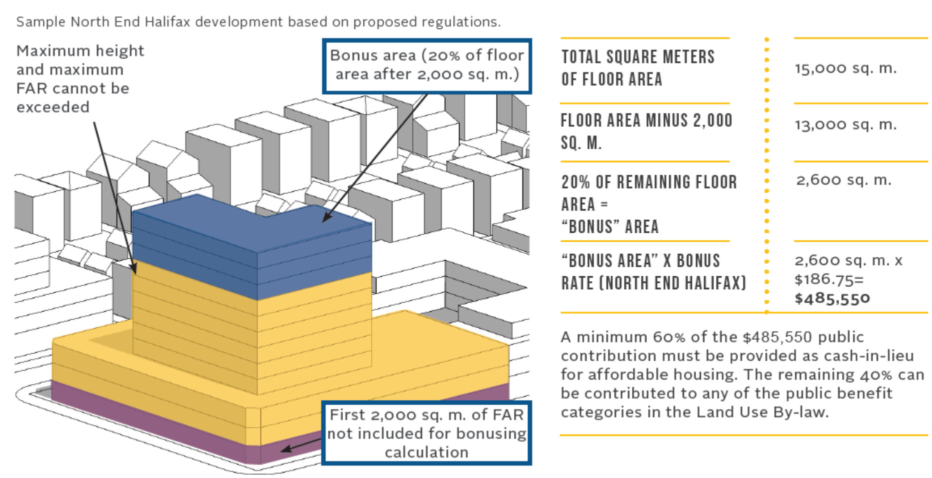


Figure 4. Example of Bonus Density from Halifax Centre Plan Handout
(Source: Incentive or Bonus Zoning handout, Proposed Centre Plan, HRM, June 2021)

Inclusionary Zoning

What is the incentive?

According to CMHC, inclusionary zoning is defined as "zoning and development regulations that require a set proportion, typically 10 – 20% of new market housing developments to be affordable"[1]. The rationale for adopting inclusionary zoning is to shift the dynamics of the current housing market to provide affordable housing options for low- and middle-income populations within new developments.

How is it typically used?

While some inclusionary zoning is voluntary, many inclusionary zoning frameworks require developers to provide affordable housing to a certain proportion. Inclusionary zoning has become a common practice in large cities in Canada, including the City of Montreal and the City of Toronto (both implemented in 2021).

The Inclusionary Zoning in Montreal is known as one of the most prominent examples. Under their by-law, new buildings are required to have 20% social housing, 20% affordable housing, and 20% family housing. However, recent City data indicates that the majority of developers have been paying cash-in-lieu instead of building social housing. While making financial contributions for affordable housing is permitted, this data suggests that the current by-law has not been encouraging developers to directly build affordable housing. The City is considering providing clearer definitions of social and affordable housing to help assist developers find incentives or programs that would be most beneficial to them[2].

In 2023, Halifax Regional Council proposed to implement the Inclusionary Zoning Program Framework in response to the HRM Charter amendment in 2021.

If implemented, the Program would require developers to build on-site affordable housing in order to obtain a development permit.

1 CMHC (2017). Research insight: inclusionary zoning; domestic and international practices.
2 Jonas (2023, October 31). Montreal's social housing bylaw to get update after failing to produce a single unit in 2 years. CBC News.

Key elements for program success

- Conduct a financial impact assessment to explore the potential impact of inclusionary zoning and to make informed decisions on the set aside rate and the amount of cash that could be paid in lieu of providing affordable housing on site[3].
- Developing a clear zoning framework is critical for developers to fully understand the zoning regulations. Limited knowledge on inclusionary zoning could lead developers to pay additional costs instead of conforming to the zoning requirements for providing affordable housing, which in turn would result in increased housing prices[4].
- Establish a robust administrative structure and offer dedicated staff members to enforce the bylaw and to monitor the progress of construction[5].

3 Halifax Regional Council (2023). Case 24529 – Inclusionary Zoning Program Framework.
4 Canadian Centre for Housing Rights (2021, November 5). Inclusionary zoning: considerations for an affordable housing policy.
5 Halifax Regional Council (2023). Case 24529 – Inclusionary Zoning Program Framework.

Figure 5. An Example Residential Neighborhood in Montreal, Quebec
(Source: Ted McGrath, Montreal Row of Housing 1 of 2, September 1, 2017)

Opportunities for CBRM

- CBRM has experienced rapid population growth in recent years, with a significant increase in the population of international students and intra-provincial migrants. The recent population growth has also led to growing demand to make existing housing more affordable.

Policy and viability considerations

The *Municipal Government Act* (MGA) was amended to enable the mandatory provision of affordable housing units. Two of the challenges with inclusionary zoning are the impact on the housing development market (and at times the increase in rates for the non-designated units within projects) and the administrative challenges for monitoring and enforcement. A more in-depth analysis would be required to determine the resources required on the municipality's part to manage a program like this.

Additional initiatives might offset some of the potential administrative burdens related to ensuring long-term affordability of the designated units (e.g., the Rising Tides approach in Moncton, New Brunswick).

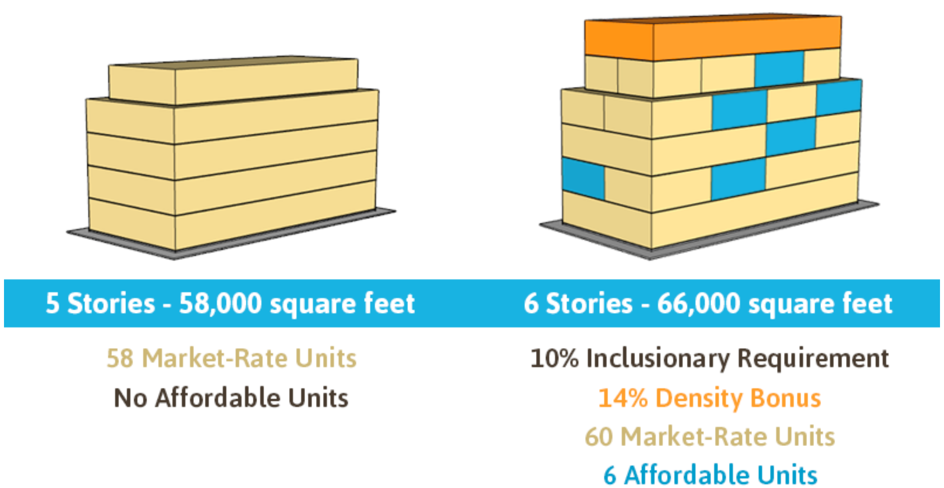


Figure 6. Inclusionary Housing Diagram
(Source: Grounded Solutions Network (California), Inclusionary Housing Page, 2024)

Primary Legislative References:

- MGA Section 220(5)(ja) - Content of land-use by-law
- MGA 223A – Affordable housing cash-in-lieu

Case Study: Inclusionary Zoning By-law

Municipality: City of Toronto, Ontario
Population: 3.02 million (2022)
Local context: Capital city of Ontario and Canada's largest city
Legislative authority: Planning Act, R.S.O. 1990, c. P.13, Section 35.2, subsection 16(5)

Overview of incentive program:

Toronto's Inclusionary Zoning By-law has three Inclusionary Zoning (IZ) Areas, with each area having different requirements for the proportion of affordable housing. The By-law has zoning schedules to be implemented in future years to gradually increase the percentage of affordable housing units.

The IZ Area 1 (IZ1), for example, requires dedicating at least 7% of the total gross floor area of residential uses to affordable rental units and 10% for affordable ownership units as of 2024. The percentage is expected to increase to 8.5% for affordable rental units and 12% for affordable ownership units. By 2030, new residential buildings in the IZ1 will be required to have at least 16% for affordable rental units and 22% for affordable ownership units.

Eligibility criteria:

Developers constructing buildings on a lot within an area identified as Inclusionary Zoning Area 1, 2, or 3 will be required to conform to the Inclusionary Zoning By-law. However, exemptions apply to the following cases:

- For development containing fewer than 100 dwelling units and 8,000 square metres of gross floor area for residential uses;
- For development that will be owned and operated by a non-profit housing provider at a full ownership interest; <u>or</u>
- For development under an operation between a non-profit housing provider and another organization, in which 1) a non-profit housing provider has greater than 51% of ownership interest and 2) at least 51% of the dwelling units will be affordable housing units;
- For developing student residences, retirement homes, nursing homes, and residential care homes.

Financial details:

While this program was initially aimed to solely provide "physical" housing units within the Inclusionary Zoning Areas, the current framework appears to accept cash-in-lieu which can support the creation of affordable housing[1].

Affordable housing details:

- ***Affordable housing definition***: "dwelling unit which is either an affordable rental housing unit or an affordable ownership housing unit"[2]
  - <u>Affordable rental housing unit:</u> "dwelling unit where the total monthly shelter cost is at or below the lesser of one times the average City of Toronto rent, by dwelling unit type, as reported annually by the Canada Mortgage and Housing Corporation, or 30 percent of the before-tax monthly income of renter households in the City of Toronto"
  - <u>Affordable ownership housing unit:</u> "dwelling unit where the purchase price (which for new units is inclusive of Harmonized Sales Tax payable by the purchaser) is at or below an amount where the total monthly shelter cost is affordable, based on paying no more than 30 percent of before-tax monthly income, to all households in the City of Toronto"
- ***Qualification conditions***: If a lot is located entirely within Inclusionary Zoning Areas, the affordable housing units must continue to be affordable rental or ownership units for at least 99 years from the date of the first residential occupancy.
- ***Target demographic(s)***: Low- and middle-income households earning between $32,000 and $92,000 a year depending on the size of households[3].
- ***Target number of units:*** 40,000 affordable rental units and 4,000 ownership homes by 2030, which is based on the target set by the City's Housing TO Action Plan[4].

Recent updates: N/A

1 Blonder (2021, October 28). What does inclusionary zoning really mean for Toronto? Real Estate News Exchange.
2 City of Toronto (2021). By-Law 941-2021.
3 City of Toronto Website (2024). Inclusionary Zoning Policy: Overview.
4 Gross, Parker, & Dias (2022). City of Toronto – Inclusionary Zoning. Gowling WLG.

Maintaining Existing Housing Stock

The next two incentives are intended for maintaining or improving existing housing.

Housing Rehabilitation Program

What is the incentive?

Many communities across Canada are struggling with aging or degraded housing stock which can impact the quality of life of residents. Municipal housing rehabilitation programs offer grants or loans to enable property owners to address major residential renovations. A similar approach to housing rehabilitation programs is providing grants or lower fees to redevelop brownfield sites (sites that have previously been developed). This is a common practice to improve the quality of derelict buildings or lots with known contaminants.

How is it typically used?

Given limited funding, municipal housing rehabilitation programs are often targeted towards supporting specific types of housing (often the missing middle), specific user groups (such as low-income families) and / or housing operated by non-profit organizations.

Examples of common eligible work include:

- Repairs of major defects that may impact the safety of residents (structural, electrical, plumbing, heating, fire safety);
- Renovations or additions to residential buildings;
- Accessibility updates;
- Exterior façade refinishing.

Some programs, such as Renovation Québec (which is organized by the province and administered by participating municipalities), also provide financial assistance to demolish or reconstruct residential buildings or to convert non-residential buildings into housing[1].

The Province of Nova Scotia also offers a Rooming House Residential Rehabilitation Assistance Program which offers fully forgivable loans to owners of rooming houses to make major repairs[2]. Only rooming houses which provide permanent accommodations and accessible (at or below market) rent to people of lower incomes are eligible for the program. Repairs through the program are intended to bring rooming houses to minimum levels of health and safety and the amount available per bed is $16,000. Once repairs are made, homes should remain livable for at least 15 years and landlords must cap rental amounts after repairs to ensure long term affordability.

Community housing providers may also be eligible for the Province of Nova Scotia's Community Housing Infrastructure and Repair Program (CHIRP) which funds capital repairs on affordable rental units in the low to moderate income range[3].

Key elements for program success

- Defined program goals
- Clear target housing type, operator or resident demographic
- Financial sustainability

Opportunities for CBRM

- Promote NS Rooming House Residential Rehabilitation Assistance Program and Community Housing Infrastructure and Repair Program (CHIRP).
- Explore collaboration and funding opportunities with Cape Breton's Affordable Housing Renovation Partnership.
- Establish shared dwelling renovation funding program to encourage shared dwelling operators in CBRM who do not or cannot currently comply with the Shared Dwelling Bylaw to renovate or repair their buildings.

1 Société d'habitation du Québec (n.d.). Renovation Québec
2 Housing Nova Scotia (n.d.). Rooming House Residential Rehabilitation Assistance Program.
3 Province of Nova Scotia Municipal Affairs and Housing (n.d). Apply for funding for community housing capital repairs: Community Housing Infrastructure and Repair Program

Policy and viability considerations

The *Municipal Government Act (MGA)* permits municipalities to provide direct financial assistance to businesses to increase the availability of affordable housing. There are restrictions on municipalities providing loans, however, so any participation in a housing rehabilitation program would have to be in the form of grants, in-kind supports, or other tools available to municipalities in Nova Scotia. Any program developed should be reviewed by the municipality's legal advisors to confirm compliance with municipal legislation.

Primary Legislative References:

- MGA 9A(b) and (c) - Municipal purposes
- MGA 65A – Spending for municipal purposes and budgets
- MGA 57(4) – Business and Industrial Development
- Housing Supply and Services Act 13 – options for limits on municipal taxes

Figure 7. Case Study Location: Example of Residential Neighbourhood in Toronto, Ontario
(Source: Enoch Leung from Canada via Wikimedia Commons)

Case Study: Multi-Tenant Houses Renovation & Repair Program

Municipality: City of Toronto, Ontario
Population: 3.02 million (2022)
Local context: Capital city of Ontario and Canada's largest city
Legislative authority: City of Toronto Act, 2006

Overview of incentive program:

Toronto's Multi-Tenant Houses Renovation & Repair Program is a unique initiative aimed at improving the safety and building conditions for tenants[1]. The program came into place in March 2024 and is part of a network of supports aimed at bringing multi-tenant housing into compliance with the new regulatory framework while supporting the City's 2023 Housing Action Plan.

Eligibility criteria:

- *Eligible properties*: occupied or vacant unlicensed multi-tenant housing that is at-risk due to non-compliance with the regulatory framework, condition of the property or the potential for tenant eviction and/or displacement. The City defines multi-tenant homes as buildings which are inhabited by persons who do not live together within a single housekeeping unit, contains more than three dwelling units with an average floor area of less than 65 square metre per unit, and one or more units are intended to be used to generate income.

- *Eligible applicants*: non-profit or for-profit applicants, and they must be an operator who owns or controls the business of operating the multi-tenant house. Furthermore, they must register their intent to apply for an Operator License.

- *Eligible projects*: those that require renovation and repair work to comply with applicable laws and be issued a multi-tenant housing license.

Financial details:

Applicants can receive up to a $50,000 forgivable loan for eligible renovation costs per "multi-tenant house room" (a bedroom that is available for rent and which may include a bathroom or kitchen for the occupant, but not both).

Affordable housing details: N/A

Recent updates: N/A

1 City of Toronto (2024). Multi-Tenant Houses Renovation & Repair Program.

Energy Efficiency Upgrades

What is the incentive?

Increasingly, all levels of government are working together to reduce carbon emissions across communities. One element of this work is offering homeowners financial incentives to improve energy efficiency in their homes. These incentives can take the form of grants, rebates or loans, and can contribute to lower energy costs for homeowners over time. Investments in energy upgrades have the potential to reduce energy poverty in a community (see for example, the Energize Bridgewater initiative).

How is it typically used?

Energy efficiency programs differ by municipality, but often have common similarities in the type of updates covered. Examples of common eligible work include:

- Window/ door replacements
- Air sealing (e.g. weather stripping or caulking)
- Insulation
- Heat pumps
- High-efficiency water heaters, furnaces, air conditioners
- Solar installations
- Electrical vehicle charging stations (Level 2)

When energy efficiency programs are operated by municipalities, low-interest or forgivable loans tend to be the primary funding mechanism; however, some communities also offer grants for eligible rebates. Loan repayment is typically made through property tax bill over a set period of time (for example, 5, 10, 15 or 20 years). Requirements for program eligibility tend to be fairly inclusive for a wide range of homeowners, though some programs (such as Chatham-Kent, ON) target low to moderate-income households and can include accessibility updates in addition to energy efficiency[1].

1 Municipality of Chatham-Kent (2024). Renovations Program.

Alberta's Clean Energy Improvement Program (which is administered by the non-profit organization 'Alberta Municipalities' through the Alberta Municipal Services Corporation) enables individual municipalities to participate in the program and define their own conditions for participant and property eligibility.

The City of Cold Lake for example allows qualifying residential property owners to finance up to 100% of their energy efficiency and renewable energy projects with a 3.1% fixed interest rate and $580 incentive bonus[2]. Eligible participants must be the legal owner of the property, be current on property tax payments and any outstanding property-secured debt (such as a mortgage), be in good standing with the municipality, and not in bankruptcy. Eligible properties must be low-rise residential (e.g. detached or semidetached, row housing, town homes, multi-units under 3 stories), and not in foreclosure.

In Nova Scotia, Efficiency NS administers a number of residential programs aimed at improving energy efficiency in homes across the province. The Home Energy Assessment is the staple of the program, with additional supports available for low income-qualified homeowners.

Key elements for program success

- Identify residential neighbourhoods that are experiencing inefficient homes and energy poverty.
- Attract and retain skilled workers who can complete the upgrade for the community.

Opportunities for CBRM

- Promote Efficiency NS free programs to residents
- Participate in the Clean Foundations Clean Energy Financing program alongside other Nova Scotian municipalities

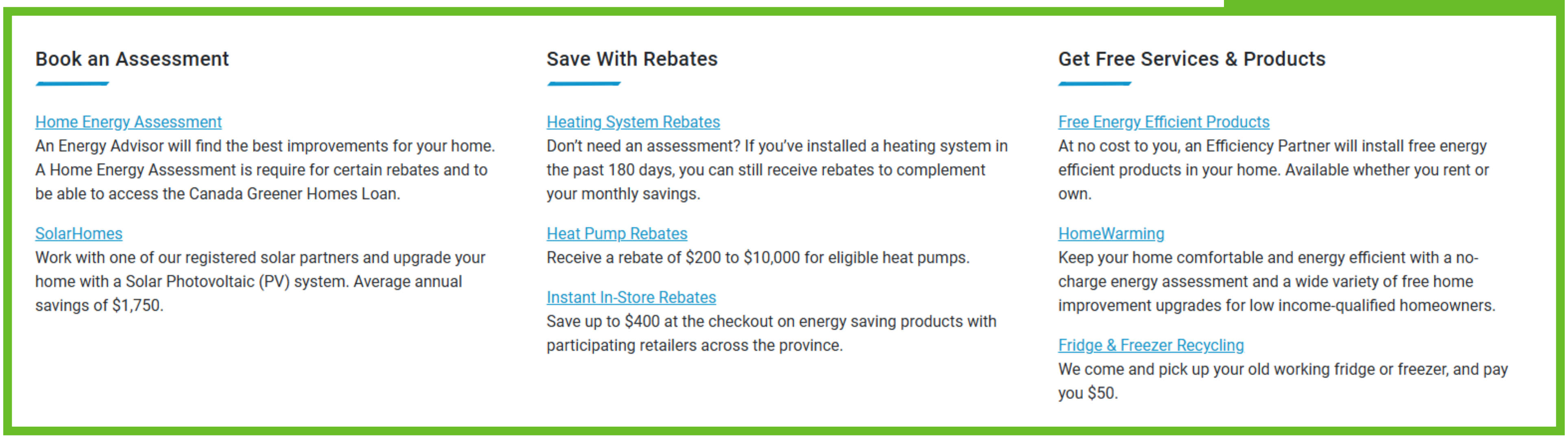
2 City of cold Lake (2024). Residential Clean Energy Improvement Program Terms and Conditions

Policy and viability considerations

Programs to support energy efficiency upgrades have already been established in Nova Scotia, providing good examples in the local context and a great possibility to learn from the experiences of other municipalities. Energy efficiency upgrades offer an opportunity to address some of the housing maintenance and affordability issues experienced by households, particularly those with limited or fixed incomes.

Primary Legislative Reference:

- *Municipal Government Act* Section 81A – By-law regarding equipment charges



Book an Assessment

Home Energy Assessment
An Energy Advisor will find the best improvements for your home. A Home Energy Assessment is require for certain rebates and to be able to access the Canada Greener Homes Loan.

SolarHomes
Work with one of our registered solar partners and upgrade your home with a Solar Photovoltaic (PV) system. Average annual savings of $1,750.

Save With Rebates

Heating System Rebates
Don't need an assessment? If you've installed a heating system in the past 180 days, you can still receive rebates to complement your monthly savings.

Heat Pump Rebates
Receive a rebate of $200 to $10,000 for eligible heat pumps.

Instant In-Store Rebates
Save up to $400 at the checkout on energy saving products with participating retailers across the province.

Get Free Services & Products

Free Energy Efficient Products
At no cost to you, an Efficiency Partner will install free energy efficient products in your home. Available whether you rent or own.

HomeWarming
Keep your home comfortable and energy efficient with a no-charge energy assessment and a wide variety of free home improvement upgrades for low income-qualified homeowners.

Fridge & Freezer Recycling
We come and pick up your old working fridge or freezer, and pay you $50.

Figure 8. Efficiency Nova Scotia Residential Program Overview
(Source: Efficiency NS Official Website, accessed December 12, 2024)
(Logo source: ISANS Website, Accessed December 12, 2024)

Case Study: Clean Energy Financing Program

Municipality: Municipality of the District of Lunenburg (MODL), Nova Scotia
Population: 24,863 (2016)
Local context: Large rural municipality approximately 1.5 hours southwest of Halifax
Legislative authority: *Municipal Government Act,* 81A(1)

Overview of incentive program:

MODL's Clean Energy Financing Program provides low-interest financing to eligible homeowners to make energy efficient updates to their home. The program is administered by the Clean Foundation on behalf of MODL and is otherwise known as Property Assessed Clean Energy (PACE).

Homeowners who participate in the program are responsible for obtaining quotes from contractors and coordinating the work. Homeowners then provide the Clean Foundation with contractor invoices and the Foundation pays the contractors and invoices the municipality. Once the work is completed, MODL collects the loan repayment from the homeowner via their property tax bill on a yearly basis. To collect these fees, MODL adds a Local Improvement Charge on the property which is equal to the cost of the upgrades, lender loan rate, and program fees[1].

MODL's PACE Bylaw outlines the municipalities' ability to apply a lien against the property and enforce the repayment as authorized through the Municipal Government Act. When property is sold, the lien is transferred to the new owners along with the property and they assume all outstanding property owner obligations.

1 Clean Energy Financing (n.d.). District of Lunenburg.

Eligibility criteria:

Eligible homeowners must own a detached, semi-detached or row home within the municipality, agree to participate, and be in good standing with the municipality to participate in the program.

Eligible clean energy updates include:

- Insulation for ceilings, floors, main walls, knee walls, foundation walls, foundation headers, foundation slabs, and crawlspaces
- Draft proofing including caulking, weather stripping, and duct sealing
- Exterior doors
- Exterior windows
- Domestic Hot Water Tanks
- Drain Water Heat Recovery Systems
- Heat Pumps
- Wood & Pellet Heating Systems
- Exhaust Ventilation
- Balanced Heat Recovery Ventilation
- Electric Vehicle Charging Stations
- Electric Thermal Storage (ETS) Systems
- Solar Hot Water Systems
- Solar Hot Air Systems
- Solar Photovoltaic Systems
- Swimming Pool Heating & Circulation Systems
- Well Pump
- Supplementary work required to successfully complete the above listed upgrades.

Financial details:

Maximum financing amount is $20,000 (or 15% of the full assessed property value) with a financing term of 15 years and interest rate of 2%[2].

Affordable housing details: N/A

Recent updates: N/A

2 Municipality of the District of Lunenburg (n.d.). Clean Energy Financing Program

Supporting Long-Term Financial Viability

The last two incentive types are for increasing municipal revenue to finance incentive programs and encourage residential development.

Development Charges

What is the incentive?

Development charges (also known as infrastructure charges or capital cost contributions) are one-time fees that municipalities can charge developers to cover the capital costs for infrastructure needed to service new or expanding growth areas[1]. This revenue generation program helps municipalities pay for infrastructure while supporting future growth and development.

How is it typically used?

Development charges are typically seen in communities where steady or rapid growth is occurring, though slow-growing areas may have small development charges[2]. Municipalities often choose to tie development charges to specific areas in order to support localized infrastructure development and ultimately further growth in those areas. Development charges can apply to residential, commercial and industrial development, though rates often differ. The use of revenues from development charges varies by municipality but is regulated by the provincial planning act and the municipalities' development charge bylaw. Examples of municipal services that can be supported by development charges include[3]:

- Roads and related infrastructure
- Public works
- Fire services
- Stormwater management

1 Let's Chat Moncton (2022). What are Development Charges?
2 Sancton (2022). Reassessing the Case for Development Charges in Canadian Municipalities. Canadian Planning and Policy Journal.
3 Municipality of Lakeshore (2021). Development Charges.

- Development-related studies
- Recreation and parks development

The establishment of development charge programs is typically informed by a background study (which is required in Ontario) and can include public engagement. Development charges can vary by year and may apply differently depending on the type of development.

Key elements for program success:

- Carefully consider who carries the infrastructure burden long term. There is emerging evidence that the cost to finance development charges is passed onto new residents by developers which increases the cost of living in new housing[4]. Development charges therefore have the potential to negatively impact housing affordability in a community.
- Clear public communication on why development charges are used and how development charges impact existing and future residents is key. Development charges can be used as a tool to appease those who don't want more housing in their neighbourhood by arguing that 'growth pays for growth' but this messaging has the potential to support these perspectives[5].

Opportunities for CBRM:

- Identify areas where residential development is cost prohibitive due to lack of municipal infrastructure.
- Pursue a development charge background study to determine reasonable development charges for CBRM's communities and assess whether the increased administrative burden to administer the program would be worth the projected benefit of the program. Consider exempting non-profit housing providers from any development charge programs.

4 Sancton (2022). Reassessing the Case for Development Charges in Canadian Municipalities. Canadian Planning and Policy Journal.
5 Ibid

Policy and viability considerations

Development charges are enabled under the *Municipal Government Act (MGA)*. This type of program may be one way to pay for infrastructure improvements, but its success may depend on the current development market and its ability to absorb more costs balanced against improving or increasing servicing levels to enable development where it might otherwise be cost-prohibitive. As it is tied to the subdivision of land, it would also be limited by the amount of eligible land in suitable areas that is likely to be subdivided.

Primary Legislative Reference:

- MGA 274 – Infrastructure charges

Figure 9. Case Study Location: New home under-construction in Norfolk County, ON
(Source: Norfolk County Official Website, March 27, 2019)

Case Study: Development Charges Program

Municipality: Norfolk County, Ontario
Population: 67,490 (2021)
Local context: Rural Ontario municipality located south of the Greater Toronto Area on Lake Erie.
Legislative authority: Development Charges Act (DCA) 1997, Chapter 27

Overview of incentive program:

Norfolk County's Development Charges program was updated in 2019 through Bylaw 2019-100 which outlines when a development is subject to the charge and how the charge is calculated[1]. The bylaw applies throughout the County. It is administered by the County Treasurer and fees are paid when a building permit is issued. Funds collected through the program go toward financing roads and related infrastructure, fire protection, parking, parks and recreation, library, general government administration, ambulatory, and water and wastewater services.

Eligibility criteria:

Residential or mixed used developments containing residential units are subject to the development charge, with the fee based on the number and type of dwelling units. Development excluded from the development charge includes the creation of up to two additional dwelling units in an existing single detached dwelling or one in other residential buildings, and affordable housing as funded under the County's social housing program.

1 Norfolk County (2019). By-law 2019-100.

Financial details:

The County is authorized by the Development Charges Act to adjust the development charge rate annually based on the percentage change in the building construction price index as collected by Statistics Canada.
Residential development charges for 2024 are shown in **Table 1**.

The County Treasurer is required to provide a financial update on funds collected through the program to the Council and the public annually. While the 2023 statement is not yet available online, the 2022 statement (**Table 2**) details how the collected funds are used across service categories. The statement also lists individual capital projects and details how the development charges reserve fund is used to support those projects.

Affordable housing details: N/A
Recent updates: N/A

Table 1. Norfolk County Residential Charges, 2024 *(Source: Norfolk County, Development Charges Pamphlet, 2024)*

SERVICE	Dev. Charge (Per Capita)	Single and Semi-Detached	Other Multiples	Apartment 2 + Bedrooms	Apartment Bach. & 1 Bedroom
Library	481	1,276	891	817	539
Fire Protection	345	918	642	587	387
Parks and Recreation	897	2,382	1,665	1,525	1,005
Parking	76	201	141	129	85
Ambulance Services	69	180	127	116	78
General Government (Administration)	46	124	85	79	50
Roads and Related	960	2,550	1,782	1,633	1,076
Total – County-Wide Services	**$2,874**	**$7,631**	**$5,333**	**$4,886**	**$3,220**
Water	3,843	10,192	7,120	6,524	4,305
Wastewater	2,286	6,059	4,233	3,880	2,560
Total Water & Wastewater Services	**$6,129**	**$16,251**	**$11,353**	**$10,404**	**$6,865**
TOTAL DEVELOPMENT CHARGE	**$9,003**	**$23,882**	**$16,686**	**$15,290**	**$10,085**

Table 2. Norfolk County Treasurers Statement, 2022 *(Source: Norfolk County 2022 Treasurer's Statement Summary)*

Development Charge Category	Opening Balance at January 1, 2022	Development Charges Collected	Development Charge Grants Provided	Interest Income	Trasfers to Operating (Debt and Interest)	Transfers to Capital	Closing Balance at December 31, 2022	Capital Commitments for Active Projects	Available Balance at December 31, 2022
Parks & Recreation	$ 3,089,070	$ 322,953	$ 121,093	$ 63,704	$ -	$ (74,539)	$ 3,522,280	$ (185,461)	$ 3,336,819
Library	(39,677)	180,419	64,890	1,417	(69,880)	(23,843)	113,327	(1,157)	112,170
General Government	158,981	20,743	13,405	2,018	0	(76,414)	118,734	(254,334)	(135,600)
Fire	1,943,705	132,596	100,257	39,582	0	0	2,216,140	0	2,216,140
Parking	520,049	29,734	21,539	10,458	0	0	581,780	0	581,780
Water	4,808,288	530,644	376,088	100,881	(71,803)	(139,761)	5,604,336	(2,922,475)	2,681,861
Wastewater	(139,786)	982,732	223,763	3,856	(783,978)	4,181	290,768	(38,181)	252,587
Roads & Related	2,743,113	361,330	275,345	47,939	0	(637,682)	2,790,045	(82,480)	2,707,565
Ambulance	197,505	25,276	19,403	4,299	0	0	246,484	(56,286)	190,198
Marinas	457,119	0	0	8,594	0	0	465,713	0	465,713
Total	**$ 13,738,367**	**$ 2,586,427**	**$ 1,215,784**	**$ 282,748**	**$ (925,661)**	**$ (948,059)**	**$ 15,949,606**	**$ (3,540,374)**	**$ 12,409,232**

Tax Incremental Finance

What is the incentive?

Tax incremental finance (TIF) programs are aimed at revitalizing neighbourhoods where growth has stagnated and is unlikely to restart without infrastructure investment. TIFs allow public sector entities like municipalities to collaborate with private sector developers to encourage new development in an area. TIFs allow municipalities to use the projected increase in property tax revenue from new development to fund infrastructure upgrades, public spaces or new buildings. This public investment is intended to stimulate private development in the area (also known as infrastructure-induced development). In some cases, municipalities may also provide grants for the remediation or redevelopment of specific sites[1].

How is it typically used?

TIFs are a complex revenue generation tool which continues to evolve. At a high level, the steps to establish a TIF are as follows[2,3]:

1. **Municipality establishes TIF**
   - Municipality identifies an area for revitalization and determines infrastructure needs.
   - Municipality establishes the baseline property tax revenue generated by the area as the program benchmark.
   - Municipality designates the TIF district.
   - Municipality estimates the natured assessed value in the TIF district over a fixed time period (e.g. 30 years) compared to the infrastructure-accelerated value. This allows the projected increase in property tax revenue to be estimated.
   - Municipality issues a debt borrowing for a fixed time period (e.g. 30 years) to pay for the infrastructure based on the projected rise in tax revenue.
2. **Redevelopment begins**
   - Municipality begins infrastructure upgrades.
   - Private developers begin construction (with or without the help of municipal grants funded through the debenture).
3. **Property taxes rise**
   - Municipality tracks assessed tax value for properties within the TIF district, sets tax rate, collects higher revenues within the TIF district, and diverts funds to debt borrowing as needed.
   - Private developers pay higher property taxes and benefit from new infrastructure investments.
4. **Debt borrowing is paid off by municipality**

Key elements for program success

- Transparency and clear communication are key to building public trust in TIFs. Communication should focus on explaining how TIFs work, how public funds are used, and how redevelopment is expected to impact taxes in and around the redeveloped area.
- Beware of the risk of gentrification, especially in areas with lower property values and rents. Rising property values can change the character of a neighbourhood as existing owners sell previously low-value properties to new owners at a higher price, while existing renters face higher rents that align with the increased property values of the neighbourhood.

Opportunities for CBRM

- Work with external consultant to assess the appropriateness of a TIF program for CBRM. Consider areas in need of revitalization, program goals, type of TIF (blended or uplift) and potential revenue generation.

1 City of Toronto (2003). City Clerk Report: Using Tax Increment Financing as a Development Incentive within the Draft Etobicoke Centre Secondary Plan Area (Ward 5 - Etobicoke Lakeshore)

2 Coldwell Banker Horizon Realty (2024, May 19). Tax Increment Financing (TIF): What Canadian Real Estate Agents Need to Know

3 Institute of Municipal Finance and Governance (IMFG) (2016). Presentation: The Tiff About TIFs - The Opportunities, Mechanics, and Challenges of Tax Increment Financing in Canadian Cities.

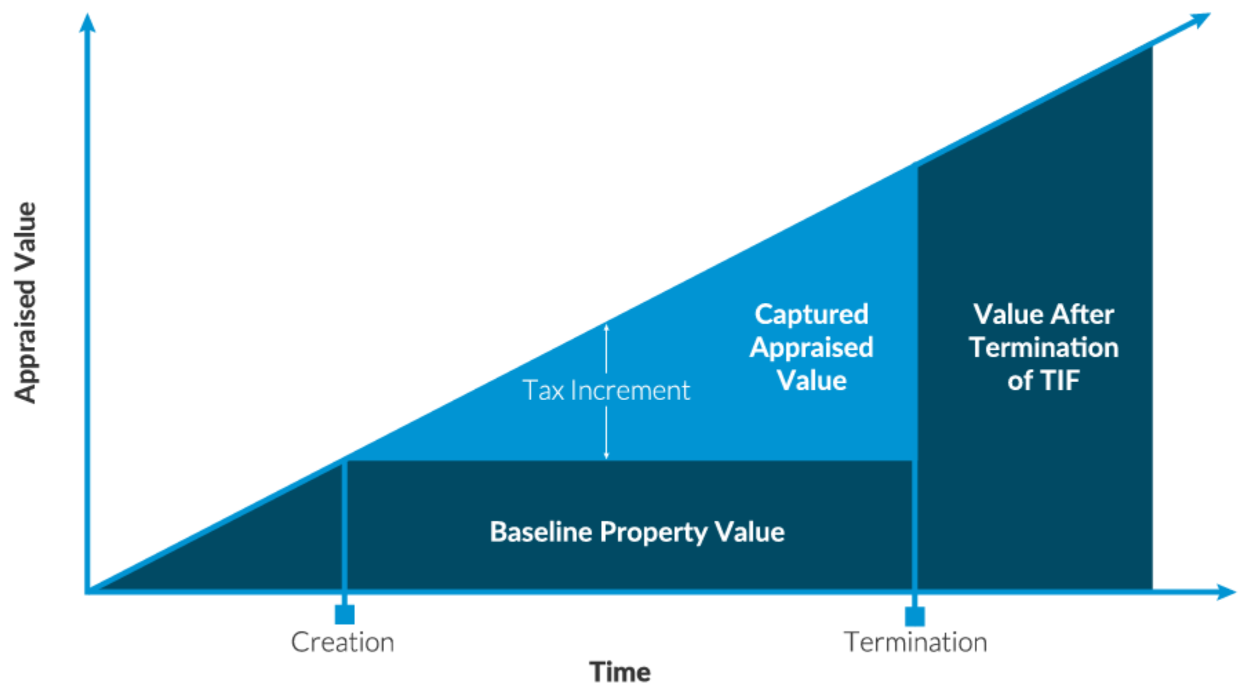
Policy and viability considerations

It is likely that a tax incremental financing approach in the Nova Scotia context would require some adjustment to the approaches used elsewhere and work-arounds to achieve similar outcomes. Council has the ability to spend funds on general capital improvements, can provide grants for housing within some parameters, and can phase in property taxes; however, borrowing must be approved by the provincial minister and has not to date been assessed and approved in the context of future tax revenues. As a result, borrowing for this type of program could affect the ability to finance other budgetary priorities. Enabling legislation to allow broader borrowing powers or different approaches to borrowing approved by the Minister would be required to make this approach possible. Further, any area rates charged may need to be general to an identified area rather than be site/property-specific, making a focus on property-specific projects more challenging in the Nova Scotia context. CBRM appears to already be taking advantage of work-arounds, such as the authority to phase in increases in property taxes.

Primary Legislative References:

- *Municipal Government Act* (MGA) 57(4) – Business and Industrial Development
- MGA 69 – Low income tax exemption policy
- MGA 70 – By-law for postponed payment of rates and taxes
- MGA 71 – Tax exemption policy for certain organizations
- MGA 71C – Commercial development district
- MGA 75 – Area rates and uniform charges
- Housing Supply and Services Act 13 – options for limits on municipal taxes

Figure 10. Diagram of a Conceptual Tax Increment Financing (TIF) Plan
(Source: Citizens Budget Commission, Tax Increment Financing: A Primer, December 5, 2017)



Case Study: Tax Incremental Finance Program as part of a Community Improvement Plan

Municipality: City of St. Catharines, Ontario
Population: 144,829 (2022)
Local context: Largest municipality in the Niagara Region and 13th largest census metropolitan area (CMA) in Canada[1].
Legislative authority: Planning Act (1990) Section 28

Overview of incentive program:

The City of St. Catharines Community Improvement Plan (2020) outlines four financial incentive programs including the tax increment finance (TIF) program. It is targeted to redevelopment projects completed by the property owner within a priority neighbourhood or intensification area (as defined in the program guidelines).

Interested applicants must participate in a pre-consultation meeting with City staff prior to applying. Applications must include a property survey, detailed project proposal, project costs and timeline, estimate of post-development property tax assessment prepared by Municipal Property Assessment Corporation (MPAC), and declaration of other incentives. The program accepts applications twice a year and the program guidelines include a detailed project evaluation system.

Successful applicants must sign a Community Improvement Plan Agreement with the City within 90 days of the application approval and the TIF project must be complete within 3 years of the date of execution.

Eligibility criteria:

Eligible projects must:

- Comply with the City's Official Plan and Comprehensive Zoning Bylaw;
- Achieve a minimum of 50 points in the Project Evaluation System to qualify for approval; and
- Not be in arrears with the City, Region of Niagara, the Province of Ontario or related agencies.

Eligible costs for TIF projects include:

- Demolition of buildings and structures;
- General improvements for structural safety;
- Lot preparation and construction/ improvement/ relocation of services;
- Capital expenditures for new building construction and renovation of existing buildings;
- Streetscaping and public realm improvement;
- Municipal Property Assessment Corporatation (MPAC) Assessment Estimate; and
- Legal fees, consulting fees and financing costs related to eligible costs.

1 City of St. Catharines (2023). Community Profile: Demographics

Financial details:

The incentive is given to eligible projects as an annual rebate which is 45% of the increase in the City portion of property taxes generated by project completion. The incentive can be given for up to 10 years after project completion. No incentive is provided if there is no increase in the municipal property tax assessment. In the example given by the City (**Table 3**), if the anticipated increase in municipal property tax after the completion of the project is $66,000, the project would be eligible for a yearly rebate of $29,700 which totals $297,000 over 10 years.

Affordable housing details:

Affordable rental dwelling units (ARDU) definition:

- The City uses core housing need data and average rent (as shown in **Table 4**) to determine which dwelling units meet the ARDU definition. The maximum cost threshold for an affordable housing rental dwelling is the lesser of $1,317 per month (chart 1, maximum threshold for bracket #4) or the average rent (chart 2).

Qualification conditions:

- Where a project includes a minimum of 30% affordable rental dwelling units (ARDU), the rebate is increased by 15% (for a total of 65% for a TIF project).
- Projects with a minimum of 5 ARDU's or 10% of all dwelling units (whichever is greater) require a Core Rental Housing Agreement with the City which sets out the maximum rental rate thresholds for the duration of the rebate period. This supports dwelling unit affordability over that period.

Recent updates: N/A

Table 3. City of St. Catherines Example TIF Project Rebate *(Source: City of St. Catherines CIP 2020 TIP/BTIF Program Guidelines)*

Example based on a TIF project (45% rebate):

Pre-development annual property tax levied	$50,000
Pre-development (City portion) of annual property tax levied ($50,000 x 44%)	$22,000
After project completion, total annual property tax levied	$200,000
After project completion, (City portion) of annual property tax levied ($200,000 x 44% = $88,000)	$88,000
Pre vs. Post development increase in City portion of annual property tax levied ($22,000 vs. $88,000 = +$66,000)	$66,000
Annual City rebate of property taxes paid after project completion ($66,000 x 45% rebate)	$29,700
Total City rebate over 10 years after project completion ($29,700 x 10)	$297,000

Table 4. City of St. Catherines Housing Data in Support of Affordable Rental Dwelling Units, 2021 *(Source: City of St. Catherines CIP 2020 TIP/BTIF Program Guidelines)*

Chart 1

Core Housing Need - Income Level Bracket	**Monthly Housing Cost**	**# of households in core need (Niagara Region)** - wait list for housing	**# of households in core need (St. Catharines)** - wait list for housing
1. $19,399	$484	8557	3165
2. $19,400 - $29,499	$737	7545	2832
3. $29,500 - $39,799	$995	6295	2345
4. $39,800 - $52,699	$1317	1429	372

* The information set out in Chart 1 is compiled from Canada Housing and Mortgage Corporation (CMHC) and Niagara Region Housing (NRH).

Chart 2

2019 – Private Row (Townhouse) and Apartment Average Rents ($)								
Zone	Bachelor		1 Bedroom		2 Bedroom		3 Bedroom +	
St. Catharines	832		1005		1230		1487	

* The information set out in Chart 2 is compiled from Canada Housing and Mortgage Corporation CMHC). Rates Updated: (April, 2021)

Incentives Summary & Analysis

Each incentive program has its own benefits and drawbacks, and the feasibility of those programs depends on various local contexts such as the population size, administrative framework, and housing needs of the community.

The table below summarizes key findings from the housing incentives research, including Pros, Cons and how each incentive type may support CBRM's Housing Needs, if at all. The 'Investment Type' column highlights what would be required of the Municipality to implement each program.

Ease of Implementation is an initial assessment of the cost and effort required of the Municipality to implement each option. The following legends explains how to interpret 'Ease of Implementation' ratings:

- ***Low***: higher complexity in developing and/or administering
- ***Medium***: manageable complexity in developing and/or administering
- ***High***: fairly easy to implement

Following the summary table we provide a brief analysis of which incentives may be most feasible in CBRM and which would be less feasible.

Table 5. Key Findings from Housing Incentive Research, page 1 of 2

Incentive Program	**Investment Type**	**Pros**	**Cons**	**Supporting CBRM's Housing Needs**	**Ease of Implementation**
Low-cost land sales	• Policy development • Administration • Foregone revenues from sale at market rates	• Uses available resource (surplus lands) • Can be customized to provide land with lower cost to non-profit organizations and higher to for-profit businesses • Can encourage housing in specific locations	• Can lead to further administrative burden on municipalities • May not result in new housing without strong enforcement in place (ex. Ensuring that housing would be built within a specified timeframe)	• Can encourage housing in locations where goods, services, and transit system are available • Opportunity to explore more diverse housing options, including small housing	Medium to high
Grants for specific housing forms	• Policy development • Administration • Financial contribution	• Straightforward program structure • Can be tailored to encourage creation of specific housing forms	• Requires long-term funding for greatest impact • May be difficult to gain public support for offering diverse housing forms • Usually a one-time benefit • Legal assessment required to confirm the approaches are consistent with the *Municipal Government Act*	• Encourages to offer more diverse housing options	Medium
Waiving of development fees	• Policy development • Forgoing revenue	• Can reduce development costs for non-profit organizations • Can reduce costs throughout process for development (not a one-time benefit)	• Loss of revenue for municipality • If fees are not already high, the impact is reduced	• Can encourage non-profit housing initiatives to provide more affordable housing including Non-market housing	High
Density bonusing	• Policy development • Administration and processes	• Can enhance public amenities and contribute to offering complete communities • Cash-in-lieu can help fund affordable housing programs	• Requires demand for higher-than-permitted density • Public benefits may not be realized without clear goals and shared values between municipality and developers	N/A	Medium
Development charges	• Policy development • Administration • Capital investments	• Offers revenue generation • Can charge higher fees to for-profit businesses or specific areas	• Leads to higher development costs • May disincentivize development	N/A	Low

Table 5 continued: Key Findings from Housing Incentive Research, page 2 of 2

Incentive Program	**Investment Type**	**Pros**	**Cons**	**Supporting CBRM's Housing Needs**	**Ease of Implementation**
Inclusionary zoning	• Policy development • Administration and process • Enforcement	• Offers stronger enforcement by requiring affordable housing to be built in new developments • Can encourage more quantity and variety of housing	• Additional administrative burden and enforcement responsibilities for municipality • Can be complex for developers • May raise shelter and rental costs for tenants if not carefully managed • Larger investments in fewer properties (may have less far-reaching impact on community)	• Greater quantity and distribution of affordable housing (in principle)	Low
Housing rehabilitation program	• Policy development • Administration • Financial contribution	• Supports improvements for existing housing stock • Helps residents to stay in their homes and communities with improved living condition • Can be targeted to non-profit organizations	• A legal assessment would be required to confirm whether specific program approaches are consistent with the *Municipal Government Act*	• Improve quality of housing in poor condition or in need of major repairs	Medium
Energy efficiency upgrades	• Policy development • Administration • Financial contribution	• Can make housing more affordable and comfortable to live in • Can directly contribute to emissions reduction • Uses established processes through Efficiency Nova Scotia (fewer start-up tasks)	• Requires available labour to complete work in community	• Can improve homes experiencing energy poverty	Low to medium
Tax incremental finance	• Policy development • Administration • Financial contribution/ financing	• Offers targeted approach toward areas in need of revitalization • Can achieve extensive impact on communities	• Complex process • May be poorly understood by developers and general public • Not immediately possible under Nova Scotian legislation	N/A	Low

Which housing incentives will be most feasible in CBRM?

The open house sessions and focus group interviews in Phase 1 highlighted many of the existing housing-related issues and needs in CBRM, which we use here to assess the above incentives for relevance.

The following three themes were the three most identified housing related issues from Phase 1 engagement:

Maintain and improve physical conditions of existing housing

Participants from the open house sessions and the focus group interviews highlighted that residents have been experiencing challenges with accessing affordable repairs and upgrading services. **Housing rehabilitation programs** and **energy efficiency upgrades** can be feasible incentives to improve the quality of existing housing. By providing publicly available grants and loans, these programs can reduce the financial burden on residents to access repair and upgrade services. CBRM can also explore opportunities to collaborate with existing initiatives such as Cape Breton Affordable Housing Renovation Partnership to coordinate funding.

Provide more affordable and diverse housing

Many participants highlighted the need to explore different built forms of housing including prefabricated housing, mini/modular homes, and condominiums. Using **Grants for specific housing forms** offers a simple program structure that can encourage the creation of more diverse housing options.

While long-term funding is critical to achieve significant outcomes, this type of grant often encourages developers to build residential buildings in a timely manner by specifying the period of time for them to complete the construction. **Waiving of development fees** is also a straightforward incentive that can support existing non-profit housing initiatives working to provide affordable housing in CBRM.

Ensure access to local amenities

Participants from the open house sessions commented on a lack of housing in communities near the existing transit network. Access to transit is critical to accessing amenities such as grocery stores to meet their daily needs. **Low-cost land sales** can contribute to addressing this need in CBRM given that this program uses available resources including surplus lands to encourage housing in specific locations. Given the large inventory of surplus lands in CBRM, the Municipality can identify parcels that can be most compatible for residential development.

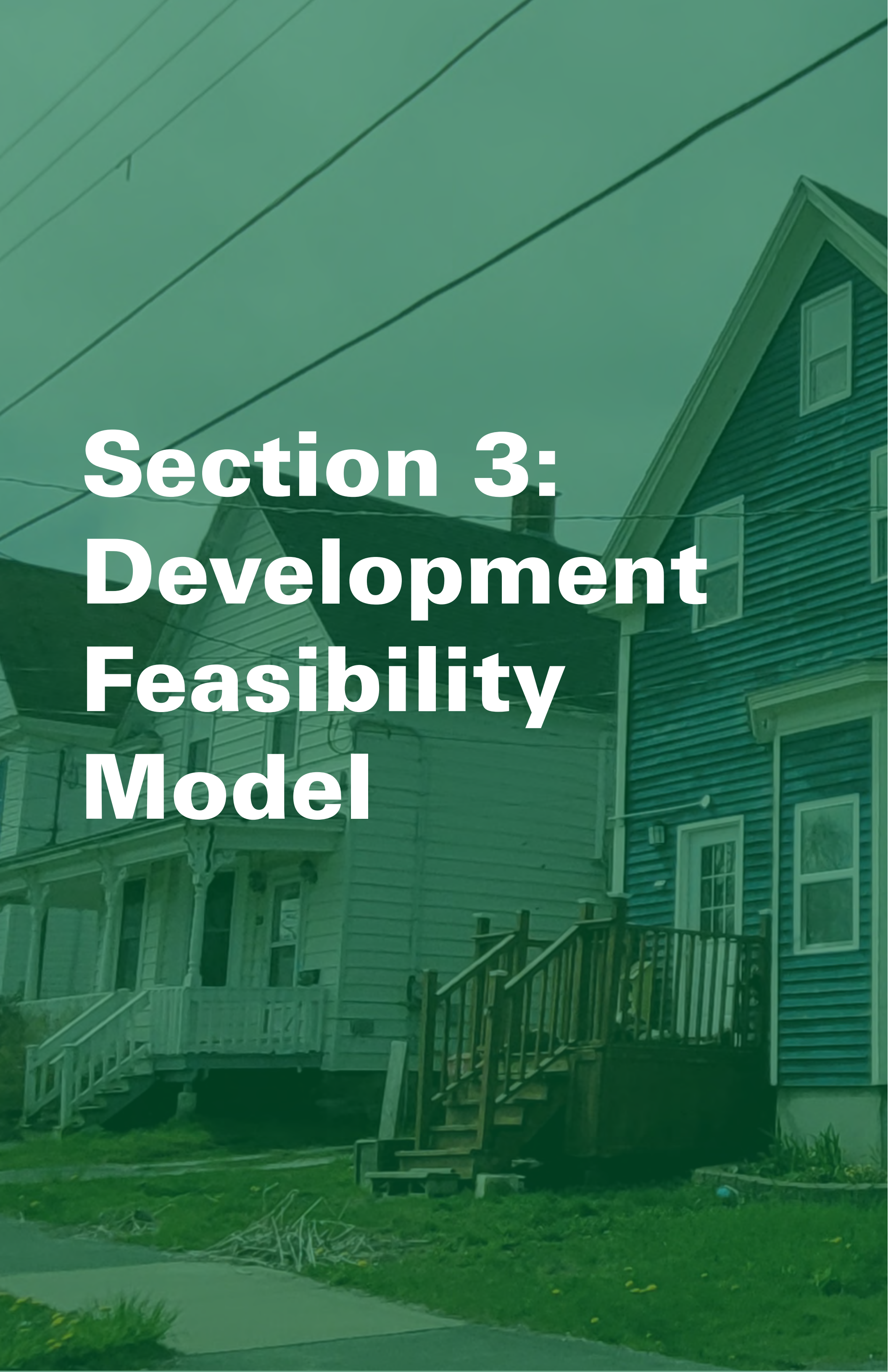
While this program can lead to additional administrative responsibilities for the Municipality, this program is relatively easy to implement with opportunities to customize sale prices depending on the size of parcels and the type of developers (e.g., non-profit organizations vs. for-profit organizations). Public communications to promote provincial programs can also help those who may not be aware of the existing options and opportunities.

Which housing incentives will be least feasible in CBRM?

- **Inclusionary zoning** is less likely to match CBRM's local context due to heavy administrative burdens on municipalities. Inclusionary zoning often requires consistent monitoring and enforcement to provide affordable housing and can be a barrier to the creation of more housing in markets where housing starts are already suppressed.

- **Density bonusing** is likely to offer limited benefits in CBRM due to a lack of demand for high density development. While density bonusing can be an attractive program that can contribute to offering complete communities, this incentive is more feasible for municipalities where the additional density is worth the cost of the 'amenities' (affordable units, underground parking, etc.) from the developers' perspectives. This may change over time as the local market shifts and ongoing discussions with the development community may allow the municipality to identify shifts in the future where the impact might be greater.

- Although protecting long-term financial viability for the municipality is important, incentives to offset municipal infrastructure costs can also lead to higher development costs and in turn discourage housing development. Examples of such incentives include **development charges** and **tax incremental finance**. These incentives also tend to have a more complex program structure for developing and administering, and in the case of tax incremental financing, is not currently an option under Nova Scotian legislation.



Section 3: Development Feasibility Model

A financial feasibility model was created to understand how the residential development incentives would impact the feasibility of new housing development.

The results of this model should not be used to specify with a high degree of certainty the feasibility of development, but rather as an approximation of development against which we can examine the impacts of different residential development incentives.

The research is structured in the following outline:

- What are the costs of development?
- How does the cost of development impact the feasibility of construction of housing?
- How does the construction of housing impact the price of housing?
- How was the model created?

The section concludes with summarizing key findings from the analysis and examining cumulative impact on the municipal incentives.

Development Costs

A financial feasibility model was created to understand how the residential development incentives would impact the feasibility of new housing development. The financial feasibility model considers the costs of development included in **Table 6** to determine the revenue required to have a project valuation that is 7.5% greater than the cost of construction.

There are numerous assumptions made in this model, not the least of which is $ / sq ft of hard cost. These assumptions are based on industry standards including the 2024 Altus Cost Guide, and Colliers' 2024 Canada Cap Rate Report. These assumptions may vary from the true values for a CBRM specific development. As a result, this model should not be used to specify with a high degree of certainty the feasibility of the example development considered in this model. Rather, the model broadly represents the economics of development against which we can examine the impacts of different residential development incentives.

How does the cost of development impact the construction of housing?

Before discussing the results of the feasibility model, it is worthwhile to discuss the relationship between the cost of development and the feasibility of constructing housing. The minimum revenue that a development requires to be financially viable is tied to the **capitalization rate or "cap rate".** For a property that is not yet constructed, a cap rate is determined using the following formula:

Cap Rate = (NOI / Total Estimated Development Cost) x 100

**NOI = Net-Operating Income (total revenue minus operating costs)*

Within a given market there are prevailing cap rates for different types of real estate assets. For example, class A (high end) and class C (low end) office buildings will have different cap rates.

Table 6: Development Costs

Cost of Land	• Purchase price • Deed transfer tax • Legal and closing costs • Environmental/appraisal/geotechnical

Soft Costs	• Permitting costs
	  ◦ Water permit fees
	  ◦ Construction permit fees
	  ◦ Development permit fees
	  ◦ Subdivision permit fees / parkland dedication
	• Insurance
	• Architecture, engineering, building code consultants, energy code consultant, marketing, etc.
	• Planning applications
	• Construction management
	• Property tax during construction

Hard Costs	• Building construction
	  ◦ Materials
	  ◦ Labour
	• Utility connections and upgrades
	• Demolition
	• Earth works
	• Remediation

Financing	• Construction financing • Mortgage • Cost of equity

Generally, an investor/financer will value a class C office space using a higher cap rate as they evaluate this as a riskier investment. Cap rates are commonly used to determine the value of a property. Consider the following example:

A Class A residential apartment building has an annual net-operating income of $300,000. If the market currently evaluates newly built class A residential apartment buildings in CBRM to have a cap rate of 5%, what must the cost of construction be to achieve this cap rate?

- 5% = ($300,000 / purchase price)
- Purchase price = ($300,000) / 5%
- Purchase price = $6,000,000

In other words, an investor that requires a cap rate of 5% will value a property with a net-operating income of $300,000 at $6,000,000. Alternatively for a developer whose financing is contingent on a cap rate of 5%, a building with a net-operating income of $300,000 that costs greater than $6,000,000 to construct will not be financially viable.

The two factors which can impact the constructability of housing are therefore the net-operating revenue (rental income) and the cost of construction. A developer does not have complete control over either of these factors and they are also limited to charging rent that the market will bear and limited in their ability to reduce construction costs due to materials and labour prices. If a project is not financially viable, it will simply not take place. This fundamental relationship between value, cap rates, and net-operating income affects private sector and non-profit developers alike. To account for lower net-operating income, non-profit developers rely on incentives including grants, subsidized financing, and tax adjustments.

How does the cost of development impact the price of housing?

In a competitive market, the law of supply and demand helps to explain the relationship between the price of a good or service, the demand for that good or service by consumers, and the supply of that good or service by suppliers. In the housing rental market, the balance of supply (number of units offered for rent) and demand (number of units desired to rent) can be seen in the vacancy rate for a given market.

A vacancy rate of 0% indicates that every available unit on the market is currently being occupied. In such a market there is little to no ability for renters looking for accommodations to choose between units based on price, size, quality, location etc. As a result, landlords have a greater ability to act as "price setters" and set rental rates that are above their Economic Costs (defined as the operating costs of renting a property + the opportunity cost of choosing to not invest in a different type of asset). A low vacancy rate environment incentivizes developers and investors to construct additional housing as there is unmet demand which their investment can supply. However, the development timeline can take several years meaning that a low vacancy rate environment can persist for a significant amount of time before supply catches up to demand.

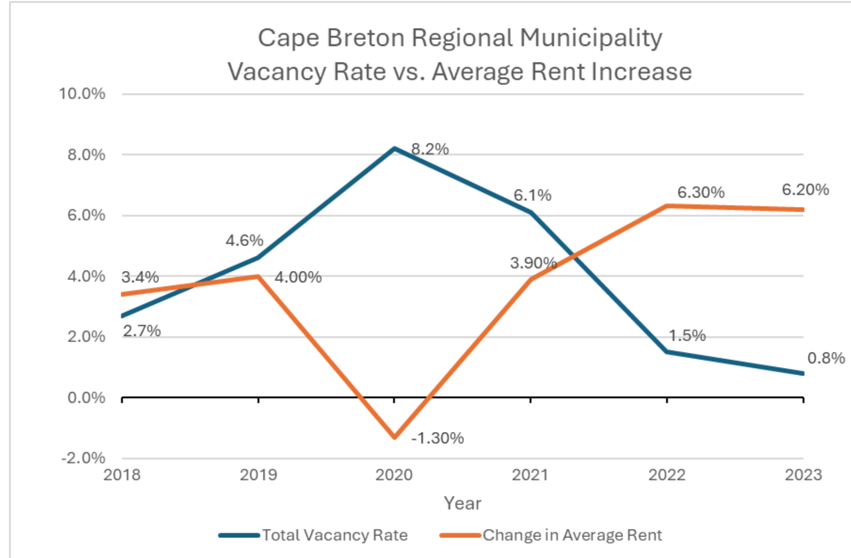
Conversely, a high vacancy rate introduces significant competition into the market for landlords forcing them to offer lower rental rates or improve the quality of their units. However, a high vacancy rate may also mean that the annual revenue is not sufficient to cover the economic costs of a unit, disincentivizing investment into the existing housing stock, leading to more units falling into disrepair or being converted to a non-residential use.

A ‘healthy’ vacancy rate is often considered between 3-5%[1] which provides for a healthy level of competition in the market that promotes investment while keeping price increases low. In this ideal balance, landlords offer competitive rental prices and make investments into their properties to attract tenants, developers are incentivized to invest in the construction of new housing, and renters can choose between units that best suit their needs. As can be seen in **Figure 11**, since 2018 there has been a visible correlation between vacancy rates and the percent change in average rent among units in CBRM.

Currently, CBRM is in a very low vacancy rate environment which is propelling housing costs higher. While the municipality does not build housing itself, it can offer incentives to make the development of affordable housing more feasible. This in turn will help relieve some of the pressure on the housing market, particularly for those who may not be able to afford market rental rates even under the best housing market conditions.

1 Cape Breton Regional Municipality (2023). Municipal Housing Needs Assessment.

Figure 11. CBRM Vacancy Rate vs. Average Rent Increase
(Source: CMHC Housing Market Data, 2023)



Feasibility Model

To understand the potential impact of the Residential Development Incentives, a financial feasibility model was developed for a theoretical residential apartment building.

How was the Model created?

The assumptions applied in this residential apartment building scenario are as follows:

- Cap rate = 5%
- Mortgage rate = 5%
- Unit vacancy = 3%
- Land cost = $200,000
- Number of units = 45 (35 for one bed, 10 for two bed)
- Total floor area = 37,536 (Includes gross up factor of 20%)
- Construction (hard cost) = $240 / sq ft
- Soft Costs = 22% of project total costs

Figure 12. Example of Development Costs
(Source: FBM)

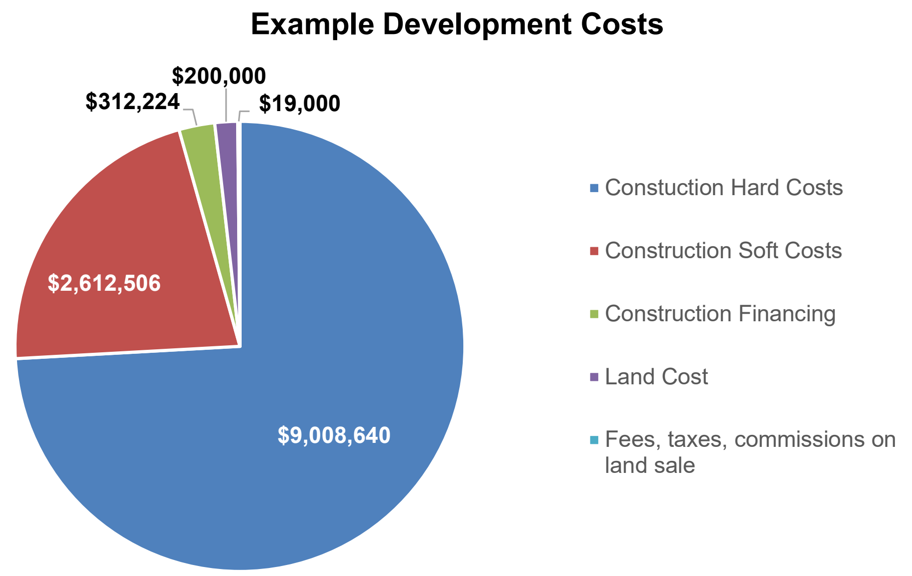
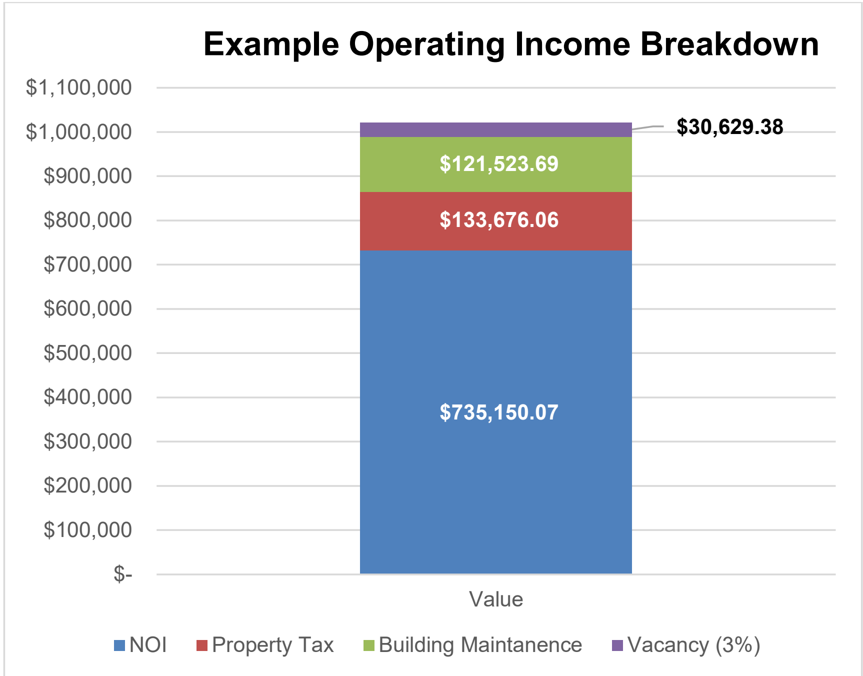


Figure 13. Example of Operating Income Breakdown
(Source: FBM)



Key Findings

This section examines the feasibility of housing incentive options from a financial perspective. **Table 7** summarizes key findings for the housing incentive options.

Tax Environment

One of the most impactful factors on the feasibility of development is property tax. This is because it reduces the net-operating income, which impacts the valuation of a property based on its cap rate.

Tax rates in CBRM are very high relative to the Halifax Regional Municipality's (HRM). For example, for a development in Downtown Sydney, the tax rate is $2.07 / $100 of assessed value. In HRM it is $1.22 / $100 of assessed value. In the financial feasibility model, this represents a difference in project value of $2,357,300, or a 19.1% increase. For this reason, property tax adjustments represent the single largest opportunity to incentivize housing development.

CBRM currently offers the Tax Adjustment Policy for affordable housing developments, however the reduction rate winds down over the course of 10 years. Conversations with non-profit developers suggested that a flat adjustment in perpetuity would be the most effective in order to support financing applications.

Table 7: Key Findings from Housing Feasibility Model

	Estimated monthly rent required for financial viability	Reduction to required monthly revenue/sq ft to be financially feasible (vs. status quo)	Area of influence	Incentive details
Status quo	$2.72 / sq ft	N/A	N/A	N/A
Low-cost land sales	$2.67 / sq ft	**$0.05 / sq ft**	Land acquisition costs	$200,000 of land in-kind contribution
Affordable housing grants	$2.45 / sq ft	**$0.27 / sq ft**	Construction costs	$20,000 / unit
Waiving of development fees	$2.71 / sq ft	**$0.01 / sq ft**	Soft costs	$12,500 benefit
Waiving of property taxes (Perpetuity, 100%)	$2.03 / sq ft	**$0.69 / sq ft**	Net-operating income	100% of property tax waived, estimated at $251,554 annually
Density bonusing	$2.66 / sq ft	**$0.06 / sq ft**	Net-operating income Development hard costs	Extra 10 one-bedroom units Assumed to reduce Hard costs to $235 / sq ft
Inclusionary zoning	$2.78 / sq ft	**-$0.06 / sq ft**[1]	Net-operating income	5 one-bedroom units at $2.14 / sq ft. The remainder of units rented at $2.78 / sq ft to balance required revenue.

1 Inclusionary zoning on its own requires increased revenue from the remaining units to offset the lower costs of affordable units.

Reasons for why the municipal tax rate is higher in CBRM than HRM include the fact that properties generally have a lower assessed value in CBRM, which means to collect the same amount of revenue, the tax rate needs to be higher. Additionally, CBRM has significant infrastructure liabilities to fund across a smaller number of taxpayers as a result of significant population decline between 1961-2016[1].

Affordable Housing Grants

After property tax adjustments, the next most impactful incentive was the affordable housing grants. The feasibility model was based on CBRM's Affordable Housing Grant Policy of $20,000 per unit, albeit without a maximum cap of $200,000 per project. Based on the financial feasibility model, it can be estimated that a $20,000 grant can reduce the price per sq ft of a rental unit by $0.27 / sq ft / month, although the benefit will vary depending on the overall cost of the project and size of the unit.

Low Land Cost

One area that supports development in CBRM is the low cost of land. In reviewing current availability of serviced land with zoning that permits multi-unit dwellings, it is clear that CBRM has a competitive advantage in this regard. This can provide a low barrier to entry for non-profit affordable housing developers who generally struggle to raise the equity needed to afford land costs. This type of incentive was evaluated to have a medium to high ease of implementation in Section 2 of this report. This type of incentive was evaluated to have a high ease of implementation in Section 2 of this report.

Low Permitting Fees

Another area where CBRM offers a competitive advantage is very low permitting fees. The total cost of permits for the theoretical development in CBRM was $11,500. An equivalent building in HRM would cost approximately $410,170 in building permit related fees (inclusive of the required public benefit charge, an example of bonus zoning). CBRM's low permit fee requirements are a major advantage for the development of affordable housing. This type of incentive was evaluated to have a high ease of implementation in Section 2 of this report.

1 CBRM (2023). Municipal Planning Strategy.

Cumulative Impact of Municipal Incentives

If CBRM were to maximize the use of housing grants, land donation, waiving of development fees, and waiving of property taxes, it could reduce the required monthly rent for a unit by $0.93 / sq ft of leasable area. In our development model, this would imply that a development charging $1.79 / sq ft could be financially feasible. At $1.79 / sq ft, a 600 sq ft one-bedroom apartment would rent for $1,090 / month. Based on the Provincial Housing Needs assessment which used 2021 Census data, this price level would still be unattainable for approximately 22% of couples and 75% of single persons in CBRM[2]. This highlights the fact that CBRM, even under a generous subsidy program, cannot adequately incentivize the creation of deeply affordable housing on its own.

However, an affordable housing developer applying for a municipal affordable housing program will almost certainly also be leveraging provincial and federal affordable housing programs including Nova Scotia's Affordable Housing Development Program and CMHC's Affordable Housing Fund. Furthermore, for illustrative purposes this feasibility model uniformly distributed the financial impact of the incentives across all units equally (with the exception of inclusionary zoning). In reality, it is likely that a non-profit affordable housing developer would pursue a mixed market and non-market building. The Nova Scotia Affordable Housing Development Fund is only available to 50% of the units in a building. Based on interviews with non-profit affordable housing developers, the remaining 50% of the units are typically rented out at market rate in order to support

2 The 2023 CBRM Housing Needs Assessment uses a standard of 30% of pre-tax income as a standard of housing attainability. A rental rate which (after including an additional 15% for additional ancillary rental costs) exceeds this amount is determined to be unattainable for a given income threshold.

the financial feasibility of the overall development. The incentives explored in this model would go further to reducing the $ / sq ft of monthly rent if the benefits were applied only to half of the units.

While the donation of free land and waiving of permit fees may not be as impactful due to the low cost of land and the small cost of permit fees in CBRM, they should not be disregarded. Non-profit affordable housing developers often lack equity funding. Before they can get financing, a development will often require a parcel of land to build on, and proof of an approved building permit. Without the financing to pay for these costs, it must come from what little equity a non-profit has. Because of this, any cost reduction that can be made to these pre-financing and pre-grant costs can have an outsized influence on the feasibility of non-profit affordable housing development.

Section 4: What's Next?

This report explored nine residential incentive program options, presenting case studies from comparable municipalities and the financial feasibility assessment.

The final section of the report reviews the progress of the project and outlines next steps for the subsequent phases.

What's next for this Project?

The findings from this report will inform the project as we move forward into Phase 3. Phase 3 will become even more CBRM-focused, as we work with the Municipality and stakeholders to select and further define the most relevant incentive programs for more detailed program design. Phase 3 includes further community engagement along with a review of surplus lands in CBRM and land banking case studies. Finally, using all we have learned through the first three phases, we will create the final product in Phase 4, the comprehensive Housing Action Plan.

Phase 1

Local Housing Needs & Issues

May - Aug 2024

- Fieldwork
- Background review
- Community engagement
- What We Heard Report

Phase 2

Residential Incentive Research

Aug - Dec 2024

- Incentive research
- Policy and regulatory review
- Financial feasibility assessment
- What We Heard Report

Phase 3

Incentive Program Development

Dec 2024 - Mar 2025

- Program design
- Surplus land analysis
- Land banking framework
- What We Heard Report

Phase 4

Housing Action Plan

Apr 2025 - July 2025

- Process reflection
- Draft Housing Strategy
- What We Heard Report
- Final Housing Strategy

Community engagement
June - July

Community engagement
Fall/Winter

Community engagement
Spring

For ongoing project updates and contact the project team, visit

www.cbrm.ns.ca/housing-strategy

Appendix: Nova Scotia Housing Programs

ADU Incentive Program

- The Secondary and Backyard Suite Incentive Program provides a loan to help build a secondary or backyard suite on the property of primary residences.
- Funding needs to be used to build a secondary or backyard suite for family members or to provide affordable housing.
- Affordable housing is housing where the rent is below the average market rent (AMR) for the location.
- 50% of eligible project costs to a max of $40,000.

Affordable Housing Development Program

Supports the creation of affordable housing through forgivable loans to help fund the construction of new housing or the conversion of non-residential buildings. Both must include affordable rental units for households with low to moderate income.

Funding must be used to create housing that includes affordable rental units for households with low to moderate income. Affordable housing is housing where the rent is below the average market rent (AMR) for the location.

Projects given priority for funding include housing development that:

- Offers rent that's at least 20% below average market rent
- Offers rental units at affordable rental rates for more than the minimum 15-year affordability period
- Includes at least 5 affordable rental units
- Achieves higher-than-average social, economic or environmental outcomes
- Involves co-operatives, non-profit housing providers or community housing groups
- Has a plan for construction and operations that's financially viable
- Exceeds Building Code minimum standards for accessibility
- Exceeds Building Code minimum standards for energy efficiency

Funding amount

Funding is available for up to 50% of the rental units in a project. For projects with fewer than 10 rental units, funding is available for up to 100% of the units. The applicant or other sources need to fund the remaining balance of the project.

The amount of funding your project receives is based on the:

- Affordability period you're proposing (15 years, 20 years or more)
- Affordability of housing offered (for example, at least 20% below average market rent or more)
- Social and environmental outcomes (for example, accessibility standards and energy efficiency)

You can use this funding in combination with Canada Mortgage and Housing Corporation programs like the National Housing Co-Investment Fund.

Eligible projects

Eligible projects need to:

- Be in Nova Scotia (but not on a reserve)
- Be a single site, building or portfolio project with self-contained rental units (including single room and studio units) that provide permanent housing with 12-month tenancies (leases)
- Create affordable rental units for low to moderate income households
- Offer rent that's at least 20% below average market rent for the location and be under the maximum rent allowed for the community based on household income limits
- Be primarily residential
- Include at least 5 affordable rental units and offer the units at affordable rental rates for at least 15 years
- Involve new construction, conversion of a non-residential building or the renovation of an existing, fully vacant, multi-unit building
- Be financially viable to build and operate for the entire affordability period
- Meet Building Code minimum standards for energy efficiency and accessibility
- Have a Phase I Environmental Site Assessment or environmental approvals through the Department of Environment and Climate Change for the proposed site (the site can't be built on a flood plain or floodway fringe)
- Not include additional fees for services (like internet, cable or storage) in proposed rent for affordable residential rental units (additional fees for services need to be optional)
- Have reasonable access to personal and professional services, retail businesses, recreation facilities, educational institutions and public transportation (access to public transportation may be waived for communities where there's demonstrated demand for proposed rental units)

The program also considers projects already under construction.

Ineligible projects include: renovations of occupied and semi-occupied rental properties; Indigenous housing projects on reserves; shelters or other forms of temporary housing; transitional or secondary-stage housing; supportive housing; condominiums; student-only housing; manufactured homes (mobile homes) on steel chassis; funding to buy existing rental properties.

Eligibility

Private developers or community housing (co-operative or non-profit) developers who: are registered and in good standing with Registry of Joint Stock Companies or under provincial or territorial legislation in Canada and are authorized to operate in Nova Scotia; have a minimum of 5 years of property management experience or engage a professional third-party property management company; have successfully completed a similar scale project on time and on budget or you must have a fixed-price contract with a general contractor with experience building similar projects; have financial resources to fund cost overruns; meet equity requirements.

Equity requirements

Private developers need to make a minimum equity contribution of 20% of the project's eligible capital development costs in the form of cash or unencumbered land. Community housing groups need to make a minimum equity contribution of 5% of the project's eligible capital development costs in the form of cash or unencumbered land.

Community Housing Acquisition Program

Up to 95% financing to community housing providers to purchase existing multi-unit properties or up to 100% financing for supportive housing projects that receive operational funding from the Department of Community Services (DCS). Maximum loan amounts are $10 million per project which is available at fixed interest rates which may be amortized over a maximum of 30 years.

Program description & eligibility

This program is open to community housing providers including co-operatives or non-profit societies to support the purchase of existing multi-unit properties for the purpose of preserving existing affordable housing and expanding the community housing sector in the province.

Criteria and requirements apply.

Community Housing Infrastructure and Repair Program (CHIRP)

Funding needs to be used to make capital repairs on residential community housing that includes affordable rental units for households with low to moderate income. Affordable housing is housing where the rent is below the average market rent (AMR) for the location.

Funding amount

Funding is available for up to 100% of eligible project costs. The applicant needs to fund the remaining balance of the project. The funding provides a forgivable loan.

Eligible costs

- Eligible repair costs include: structural; electrical; plumbing; heating; fire safety; energy efficiency or conservation costs not covered by other funding sources; accessibility and barrier-free adaptations, improvements or modifications not covered by other funding sources; health and safety repairs; replacement of kitchens, bathrooms and flooring (only with approval from the Department of Municipal Affairs and Housing); restoration of rental units that aren't currently livable;

- Other repair costs that may be eligible include: legal fees, including migration costs; project management fees; property management fees; energy audit fees; environmental assessments and studies related to eligible repairs.

- Ineligible repair costs include: work completed before the loan is approved; repairs to any commercial component of the rental project; purchase of appliances; purchase or repairs to outbuildings (like sheds); landscaping that is cosmetic rather than a structural repair.

Reporting requirements

Annual reporting to confirm occupancy, tenant eligibility (on turnover) and rental rates for affordable rental units and financial reporting throughout the term of the loan.

Accessing the funding
If the housing provider meets the required criteria, the provider and the Department of Municipal Affairs and Housing sign a Project Contribution Agreement. The program provides funding after you submit a draw request (request for funds) for work that's completed.

Eligibility
Community housing providers: non-profit society, charity or housing co-operative registered and in good standing with Registry of Joint Stock Companies or under provincial or territorial legislation in Canada and: are authorized to operate Nova Scotia providing provide affordable housing to low-income households (at least 30% of rental units need to be affordable units); have property management experience or engage a professional third-party property management company; show that funding is needed for capital repairs; and show that they have the appropriate governance structure or partnership in place to administer, manage and report on project outcomes. Affordable housing is housing where the rent is below the average market rent (AMR) for the location.

Community Housing Operating Subsidy
A program under Provincial Department of Municipal Affairs and Housing to cover short-term operating and maintenance costs. Priority is given to organizations that: have a plan to improve housing outcomes for underrepresented or equity-seeking communities; offer deep affordability to low-income households; demonstrate potential to help grow the community housing sector in Nova Scotia; are at the end of long-term subsidy agreements.

Funding amount
Funding is available for a 1-year term. The amount of the subsidy is calculated based on 80% of average market rent (AMR) for similar-sized rental units for the location minus your actual revenues. The applicant needs to fund the remaining balance of the operating and maintenance costs.

Reporting requirements
Annual reporting including financial statements, rent roll (total income from the property) and an updated sustainability plan.

Eligibility
Must be a community housing provider: non-profit society, charity or housing co-operative registered and in good standing with Registry of Joint Stock Companies or under provincial or territorial legislation in Canada and are authorized to operate Nova Scotia; and provide affordable housing to low-income households (at least 30% of your rental units need to be affordable units during the fiscal year you receive the subsidies) and demonstrate financial need. Affordable housing is housing where the rent is below the average market rent (AMR) for the location.

Land for Housing Program
Helps offset development costs of creating affordable housing, land needs to be used to create new housing that includes affordable rental units for households with low to moderate income. Affordable housing is housing where the rent is below the average market rent (AMR) for the location. Projects given priority include housing development that: offers rent that's at least 20% below average market rent; can be completed quickly; achieves higher-than-average social, economic or environmental outcomes.

Eligible projects
Eligible projects need to be primarily residential. The Land for Housing Program considers all types of housing projects based on the suitability of the land site. This includes: mixed-income, mixed-use and mixed-tenure projects; single or multi-family dwellings; single room occupancy, co-housing and micro-units; seniors' independent living housing (excluding healthcare or long-term care facilities)

Eligibility
Private developers or community housing (co-operative or non-profit) developers who: are registered and in good standing with Registry of Joint Stock Companies or partner with a business that is; a corporation, co-operative, non-profit society, Indigenous governing body or organization pursuing off-reserve housing projects; have previous property development and property management experience or engage a professional third-party property management company; have a plan for construction and operations that's financially viable (capable of producing a profit); meet equity requirements. Projects also need to meet any additional eligibility criteria outlined in the Property Opportunity Notice they're applying for. Eligibility criteria may change based on specific land sites and the communities they're located in.

Equity requirements
Private developers need to make a minimum equity contribution of 20% of the project's eligible capital development costs in the form of cash or unencumbered land. Community housing groups need to make a minimum equity contribution of 5% of the project's eligible capital development costs in the form of cash.

Canada-Nova Scotia Targeted Housing Benefit
Homeowners: Apply for a homeowner's supplement: Canada-Nova Scotia Housing Benefit

Homeowners can apply for help to stay in their home if they pay more than 50% of their pre-tax (gross) household income on housing costs.

Renters: Apply for a rent supplement: Canada-Nova Scotia Targeted Housing Benefit

Renters can apply for help with the cost of their rent if they pay more than 50% of their pre-tax (gross) household income on the average market rent in their area (not the rent that they pay).

Other Programs

Seed Funding
- Department - Organization: Canadian Mortgage and Housing Association
- Description: CMHC's Seed Funding program provides financial support for individuals or organizations involved in the initial phases of creating an affordable housing project. You can apply for up to $350,000 in interest-free loans and a maximum of $150,000 in non-repayable contributions to assist with early development expenses. These expenses can include things like the formulation of a business plan, creation of preliminary design concepts and conducting environmental site assessments.
- Deadline: Continuous intake until fully allocated
- Website link: Seed Funding

Green Municipal Fund
- Department - Organization: Infrastructure Canada/Federation of Canadian Municipalities
- Description: GMF is more than just a funding source—they are a full-service partner in your climate action progress. Grants and loans for all stages. Stackable with other funding sources. Dedicated staff to help you apply. Free resources to help build business cases and improve project outcomes. Grants from $100-500k for up to 50% of eligible costs, combined grant and loan to a maximum of $10M for up to 80% of eligible costs.
    - **Community Efficiency Financing**: Explore and assess options for a financing program for home energy upgrades within your community. Support project decision-making with a feasibility study.
    - **New construction of sustainable affordable housing**: Construct a new affordable housing project to a higher environmental performance standard. Finance your new build with capital project funding. Planning, study and pilot project funding is also available.
    - **Retrofit of Sustainable Affordable Housing**: Integrate deep energy efficiency measures and onsite renewable energy generation into existing affordable housing units. Finance your retrofit with capital funding. Planning, study and pilot project funding is also available.
- Deadline: Continuous
- Contact: gmfinfo@fcm.ca or book a meeting with an advisor.
- Website: Green Municipal Fund

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