

Analysis of Affordable Housing CIP Incentives

Purpose

To calculate the total value of the financial incentives that could be provided under the Affordable Housing CIP to stimulate the construction of affordable housing. It hypothetically calculates the financial savings that could have been provided to support the development of 40 affordable housing units at Dutton Road (River Ridge townhouses) as well as the creation of 7 residential units in the upper storeys of a building on George Street (assuming they met the definition of “affordable”).

Municipal Incentive Program

This program would refund municipal planning application fees for affordable housing projects.

Planning application fees for the 40 townhouse apartments would potentially have included:

	Cost	Fee Calculation
Zoning By-Law Amendment	\$1,825	\$725 + \$27.50/unit
Official Plan Amendment	\$3,325	\$3,325
Site Plan	\$1,545	\$665 + \$22.00/unit
Committee of Adjustment	\$500	\$500
TOTAL	\$7,195	

Refunding these municipal fees would have amounted to a savings of approximately \$7,195 for this 40-unit affordable housing project.

Since the creation of the 7 residential units in the upper storeys of the building on George Street did not require any separate planning applications, this program would not have provided any further financial savings to support this project.

Development Charges Grant Program

This program would provide a grant from the Affordable Housing Partnership Reserve Fund to cover the cost of development charges for affordable housing units. (Note: Water Utilities Development Charges will still be payable to Peterborough Utilities at a cost of \$943 per apartment unit).

Development charges for the development of 40 apartment units would currently be:

	Cost	Fee Calculation
Development Charges	\$232,520	\$5,813/per apt. unit
TOTAL	\$232,520	

The development charges grant would have provided a savings of \$232,520 for this project.

Since development charges are already waived for all development in existing buildings within the Central Area, the creation of 7 residential units on George Street would not have received any further financial savings under this program.

Tax Increment Based Grant Program

This program would provide a grant based upon the incremental increase in the municipal taxes resulting from the work being completed. The program would be implemented over a period of 9 years after which the property owner would then be required to pay the full amount of taxes with no grant provisions. There are considerable variations in the level of tax change that will occur for a specific property based on whether it is a new build on a vacant lot or a conversion/addition to an existing commercial or industrial building.

The annual tax increase for the property on Dutton Road was approximately \$36,000 after construction (this tax increase occurred in the scenario of the property going from the multi-residential tax class to the new multi-residential tax class). Based on this average annual tax increase, the grant provided to the property owner under this program would be calculated as follows:

Year	% Grant	Amount Saved	Amount Payable
Year 1	100%	\$36,000	\$0
Year 2	100%	\$36,000	\$0
Year 3	100%	\$36,000	\$0
Year 4	100%	\$36,000	\$0
Year 5	100%	\$36,000	\$0
Year 6	80%	\$28,880	\$7,200
Year 7	60%	\$21,600	\$14,400
Year 8	40%	\$14,400	\$21,600
Year 9	20%	\$7,200	\$28,800
Year 10	0%	\$0	\$36,000
	TOTAL	\$252,000	\$108,000

Over the 10-year period the grant would provide a total tax savings of \$252,000 to the property owner. This represents a 70% tax savings on the total amount that would have otherwise been payable over this period.

The annual tax increase for the property on George Street was approximately \$6,000 after construction (this tax increase occurred in the scenario of the property going from a commercial tax class to the commercial/residential tax class). Based on this average annual tax increase, the grant provided to the property owner under this program would be calculated as follows:

Year	% Grant	Amount Saved	Amount Payable
Year 1	100%	\$6,000	\$0
Year 2	100%	\$6,000	\$0
Year 3	100%	\$6,000	\$0
Year 4	100%	\$6,000	\$0
Year 5	100%	\$6,000	\$0
Year 6	80%	\$4,800	\$1,200
Year 7	60%	\$3,600	\$2,400
Year 8	40%	\$2,400	\$3,600
Year 9	20%	\$1,200	\$4,800
Year 10	0%	\$0	\$43,000
	TOTAL	\$42,000	\$18,000

Over the 10-year period the grant would provide a total tax savings of \$42,000 to the property owner. This represents a 70% tax savings on the total amount that would have otherwise been payable over this period.

Overall

To support the development of the 40 affordable housing units at Dutton Road, these 3 programs of the Affordable Housing CIP combined could have provided a savings of approximately **\$491,715** to the developer (a savings of \$12,292 per unit). Based on the current average market rent of \$847, this represents nearly 15 months of rental income generated from these 60 units.

To support the development of the 7 residential units in the upper storeys of the building on George Street, the Tax Increment Based Grant Program of the Affordable Housing CIP could have provided a savings of approximately **\$42,000** to the developer (a savings of \$6,000 per unit). Based on the current average market rent of \$847, this represents about 7 months of rental income generated from these 7 units.

These two calculations indicate the considerable variation in savings that could be potentially provided under the Affordable Housing CIP to support the construction of affordable housing in the City of Peterborough. This variation in savings depends on the location of the project within the City as well as the overall size of the project in terms of total affordable units created.