

HOMELAND HOUSING SUBMISSION

Affordable Housing – St. Albert

CMHC describes affordable housing as costing 30 percent or less of income. The demographic group most in need of affordable housing in St. Albert are the working poor, underemployed and those earning minimum wage. Examples include those working in the service sector and retail at minimum wage. Generally, these incomes are less than \$30,000 per year suggesting the maximum monthly rent based on CMHC's definition of affordable housing would be \$750 per month. This is well below the income threshold for affordable housing for St. Albert.

The income threshold for St. Albert is \$42,000. Based on this income, an affordable rent would be \$1,050 per month. An affordable housing program offering rents at 80 percent of market rates would face challenges. For example, in this scenario, the rental rate based on 80 percent of the market would be \$1,100 per month, which is affordable for those earning between \$35,000 to \$42,000 per year. However, for those earning \$30,000 or less per year would make affordable housing in St. Albert 'unaffordable'. An affordable housing strategy should focus on individuals and families earning \$33,000 per year or less.

In focusing on the lower income threshold described above, this places additional financial risk for developers and landlords to meet operational and debt servicing costs.

Federal/Provincial government grants provide up to \$150,000 per unit for development costs. Actual development and construction costs, not including land costs is approximately \$210,000 per year, leaving \$60,000 financing for each unit. If the focus of an affordable program is for tenants earning less than \$33,000 per year, the project would not be financially sustainable.

Even at 80 to 85 percent of market rents in St. Albert, low income earners would continue to be underhoused, having to rely on roommates etc. to 'make ends meet', creating housing instability.

Looking after the poor and vulnerable is a social and moral responsibility, and indirectly, having affordable housing supports economic development of a community. Costs to support the capital development of affordable housing is a social and financial obligation of all levels of government, and in the case of municipalities, the responsibility is shared by residential and commercial ratepayers.

The City should not fund affordable housing operations. However, a property tax exemption or reduction is needed to encourage development and support financial sustainability of an affordable housing program. Otherwise, to make an affordable housing program cost effective, a disproportionate number of market housing units would have to be developed alongside the affordable units in a project. In doing so, there is the risk of overdeveloping market housing, in turn, driving down market rental rates and causing a surpluses or increased vacancies in both housing programs.

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Other jurisdictions (city, town, municipality) provide financial incentives to support affordable housing development. These include special tax rates, housing grants and land trusts, land donations, and development cost fee waivers. Development incentives are offered by the City of Edmonton and City of Grand Prairie.

Consider linkage fees with developers. St. Albert has enjoyed significant growth and development over the past twenty years but there has been an imbalance in growth related to building affordable housing capacity especially for those earning less than \$30,000 per year. Having residential and commercial developers pay linkage fees allows local government to balance commercial development with affordable housing shortages.

Leave the development of affordable housing with non-for-profit and housing management bodies rather than commercial developers.

Partnerships between not-for-profit groups and commercial developers should be approached with caution. Often business and social objectives are different between the two groups creating risk in maintaining an inventory of affordable housing units.