

Community Improvement Plan

Background and Options Report

Town of Oakville



Updated March 2026

CIP Background Report

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Executive Summary

The CIP Background Report has been written in collaboration with the Town. It includes an overview of background research, which informs the selection of incentives to model, and then based on the financial modelling, recommends a set of CIP program types for implementation.

Using the four gaps identified in the Town’s recent housing needs assessment (HNA) to contextualize potential CIP programs, input from the financial analysis, and preliminary examination of the ease of implementation, the following programs are recommended for consideration:

- An Additional Dwelling Unit program with two affordability level options to create affordable rental units,
- A program that enables Affordable Rental Owned by Non-profit Housing Providers,
- A TIEG program for Purpose-Built Rental.

A capital grant program to incentivize purpose-built rental is not recommended due to the magnitude of the grants on a per project basis.



1 Introduction

Contents

This section includes the following sub-sections and components.

- **Purpose of the Report** – to provide background information regarding what is a CIP and how it can be used to address housing gaps in Oakville
- **What is a CIP** – a brief overview of what is a CIP, and how it is enabled
- **Town of Oakville White Paper** – Previous research done by the Town on CIPs
- **Complementary Programs** - current programs that can be leveraged with a CIP to support the provision of affordable housing

1.1 Purpose of this Report

The Town of Oakville is completing an assessment of options for creating a Community Improvement Plan (CIP) that will incentivize the development of affordable housing.

For a development project to be successful, it requires financing – to support the initiation of the project (cover studies, applications, fees, and construction) and a revenue stream to support on-going operation and maintenance of the building.

Rental developments have a long term mortgage serviced by the rental operation, while condominium projects do not have a mortgage due to buyers providing the necessary investment to pay for the construction of the building. Both rental and ownership developments benefit from up-front capital grants or loans to reduce the amount of funding or financing needed to get the project built. Rental projects can benefit from programs that offer annual incentives, enabling higher mortgage amounts or improve the debt servicing ratio.

A CIP can provide a variety of types of incentives, some of which are better suited to rental developments and others that can benefit all types of development.

This report provides background information about community improvement plans and potential programs for consideration in Oakville.

This is being done in parallel with a Housing Needs Assessment (HNA) study which informs the potential CIP policies and programs, and an Inclusionary Zoning Impact Assessment. The HNA has identified current housing gaps which a CIP could aid in addressing.

The next steps will be to select potential programs and subsequently select programs for full development into a draft CIP for Council's consideration.



Refer to the recent Housing Needs Assessment for a more detailed summary of Oakville's local context and historic development.

1.2 CIP Enabling Legislation

A Community Improvement Plan provides municipalities with the opportunity to offer loans, grants, and/or land to private development to incentivize them to provide matters that result in overall community benefit. The preparation and adoption of a Community Improvement Plan is authorized under Section 28 of the Planning Act.

These Planning Act provisions provide a necessary exception to the provisions of the Municipal Act that prohibit municipalities from providing direct or indirect financial assistance to the private sector.

Section 28 explicitly enables affordable housing as an allowable community improvement category.

The Act requires that the community project area be established within a municipal by-law. By-law 2018-098 was adopted by Town Council in 2018. It applies to all lands within the town (Town of Oakville, 2018).

Section 28 of the Planning Act defines community improvement as:

“the planning or replanning, design or redesign, resubdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement of energy efficiency, or any of them, of a community improvement project area, and the provision of such residential, commercial, industrial, public, recreational, institutional, religious, charitable or other uses, buildings, structures, works, improvements or facilities, or spaces therefor, as may be appropriate or necessary” (Ontario Government, 2023).

Where a CIP by-law and plan are in effect, a municipality may:

- Acquire, hold, and clear land to prepare it for community improvement;
- Construct, repair, rehabilitate, or improve buildings on land acquired or held by it, and
- Sell lease or otherwise dispose of such buildings or lands; or
- Make grants or loans to registered owners or tenants of lands and buildings within the project area to pay for the whole or any part of eligible costs associated with the undertaking of matters in support of the community improvement.

1.3 Oakville’s White Paper on Affordable Housing

In early 2024, the Town produced the *Town of Oakville White Paper: Planning Act Tools to Facilitate the Development of Affordable Housing*, which examined a suite of potential tools for the Town to use to encourage the creation of affordable housing across the community.

Section 5 of the *White Paper* provides a detailed description of what a CIP is, and how it is implemented. Appendix 6 of the Paper provides a list of municipalities currently implementing CIPs and the programs they are using to facilitate affordable housing.

1.4 Complementary Programs

A Community Improvement Plan is one of a suite of potential tools for encouraging affordable housing in Oakville. Both the Federal and Provincial Governments are promoting creation of new affordable housing through various programs and incentives.

A CIP can be a very flexible tool that allows other programs to be layered together to deepen affordability or better support the viability of the affordable housing project(s).

1.5 Federal Policy

The **National Housing Act (NHA)** is the principal legislation concerning housing across Canada. Its purpose is to facilitate access to housing finance and low-cost funding to promote new housing construction, the modernization of existing housing stock, the improvement of housing conditions, and the overall wellbeing of the housing sector within the Canadian economy.

In September 2025, **Build Canada Homes (BCH)** was launched within Housing, Infrastructure and Communities Canada (HICC). BCH's has a **\$13 billion funding envelop** and a mandate to:

- **Build and finance housing** that is affordable for a diverse mix of households.
- Grow the **proportion of housing that is non-market** and help create the conditions for a high-capacity non-market housing sector that can scale with reduced reliance on government subsidies.
- Generate long-term, predictable demand for Canadian **modern methods of construction**.

Canada Mortgage and Housing Corporation (**CMHC**) continues to provide a suite of programs including an **Urban, Rural, and Northern Indigenous Housing Strategy** in recognition of the unique housing challenges and needs of Indigenous peoples in Canada and to advance the country's progress on reconciliation.

The federal government has recently released **Solving the Housing Crisis: Canada's Housing Plan**, which was introduced in tandem with Budget 2024 and earmarked funds for several new and existing federal housing initiatives, including the Housing Accelerator Fund and the introduction of a new Canada Housing Infrastructure Fund.

The **Canada Community-Building Fund** is an additional federal funding stream flowed through provinces and territories to communities to support investments in essential infrastructure.

Working alongside the NHS and Housing Plan is **Reaching Home: Canada's Homelessness Strategy**, which aims to reduce chronic homelessness by 50% by 2027-2028 and is supported by nearly \$4 billion in funding over nine years. This Strategy is complemented by the **Veteran Homelessness Program**, which consists of \$79.1 million in funding for veterans organizations.

CMHC is in the process of creating a **Housing Design Catalogue** which aims to enable more homes to our neighbourhoods by making the planning process easier. The catalogue makes it easier by providing standard plans that are focused on infill development and gentle density.

1.6 Provincial Policy

Beyond provincial legislation and policy, the Province has a **Community Housing Renewal Strategy** to help sustain, repair, and build community housing and end homelessness, and a **Housing Supply Action Plan** that focuses on goals surrounding the development of market housing. Further, the province's **Homelessness Prevention Program** provides housing and support services to individuals experiencing or at-risk of homelessness through municipal service managers.

Through various amendments to the Planning Act , the Assessment Act, and Development Charges Act over the last few years **the Province is supporting provision of affordable and rental housing** through reductions in fees and charges that can be applied to these types of units.

Affordable ownership and affordable rental units are **exempt from development charges, community benefits charges and parkland dedication** requirements.

Rental housing benefits from discounted and deferred development charges. Payment of DCs are deferred to building occupancy, then paid through annual interest free payments over five years.

The DC discounts and deferrals, while mandated by the Province are implemented by municipalities, and that programs such as the Build Faster Fund, while intended to offset revenue losses is not directly tied to actual revenues that are lost, and is only paid out when certain thresholds of residential building permits are issued.

Payment of DCs for all non-rental residential development is now deferred to occupancy, and payable in full at that time.

The province has also filed a regulation to create a new optional property subclass – the affordable rental housing subclass, which provides a tax discount of up to 35% for eligible properties.

2 CIPs Responding to Housing Need

Contents

This section includes the following sub-sections and components.

- **Housing need in Oakville** – a summary of the housing gaps identified in the recent housing needs assessment
- **Housing Gap Analysis** - How a CIP can be used to respond to Oakville's specific housing needs.

2.1 Housing Need in Oakville

In parallel with the development of the CIP, the Town undertook a Housing Needs Assessment (HNA) that identified 4 key housing gaps. Though CIP incentive programs can be tailored to incentivize any type housing, some combinations of housing type and incentives may work better within Oakville's context.

The **four housing gaps** identified in the HNA were:

- 1. Housing for Low- and Moderate-Income Households:** Housing is unaffordable to low- and moderate-income households, leaving many in housing stress.
- 2. Rental Housing:** There is a clear need for more affordable, purpose-built rental housing.
- 3. Diversified Housing Stock:** Oakville's housing stock is inconsistent with current household sizes and is limited in typology.
- 4. Priority Households:** Priority household groups face disproportionate or unique housing needs relative to other households.

2.2 Magnitude of the Housing Need

Gap 1: 65% of new housing units to 2036 are needed to be affordable to households in the low and moderate household income percentiles.

Gap 2: 56% of new housing units to 2036 is needed to be of rental tenure.

Gap 3: Over the next 10 years, new housing units are needed to be provided as follows: 19% low density (single, semi-detached houses, including additional residential units), 21% medium density (town/row/stacked-house), and 60% high-density (apartments).

Gap 4: 30% of new housing units are needed to be affordable to low-income households.

The potential effectiveness of a CIP in achieving Oakville's housing goals in response to each of these Gaps, is examined in this section.

2.2.1 Gap 1: Housing for Low- and Moderate-Income Households

A CIP program can be designed to bridge the affordability gap between what a household can afford and what the market is currently providing.

There is more funding required to meet the needs of low-income households than moderate income households. Additionally, the role of responding to housing needs for the lowest income households is generally with the Municipal Service Manager, Halton Region, not with the Town of Oakville.

To that end, a municipal CIP program can focus on the needs of moderate income households (i.e. households from the 4th to 6th income deciles). Within the moderate-income households, there are renter and ownership households.

CIP programs often target creation of new affordable rental housing for moderate income households. The broadest array of incentive types can be applied to new rental housing, from fee reductions or waivers, to capital grants, low-cost loans, and property tax reductions through programs.

2.2.2 Gap 2: Rental Housing

The creation of new purpose-built rental housing is somewhat different than creating rental that is affordable to moderate-income households. This gap focuses on creating entire buildings of rental units, where Gap 1 can include a small number of rental units in a larger building or small rental buildings (2 or fewer units) that do not qualify under the CMHC definition of “purpose built rental”.

Currently, development of new purpose-built rental in concrete apartment buildings is not economically viable based on pro forma analysis that assumes market rents and no financial incentives.

Creating a CIP that incentivizes purpose rental at market rents, does not align well with the housing needs of households in the low- and moderate-income deciles, and may not align with expectations on what “affordable” rental means in Oakville. This means that either large incentives are required to encourage affordable rental units in a purpose-built rental building, or using smaller incentives that result in what may be viewed as unaffordable rental housing.

2.2.3 Gap 3: Diversified Housing Stock

Gap 3 in the HNA identified a need to expand the availability of smaller one-bedroom units, and both the availability and affordability of rental units geared to households of 3 or more persons. Current trends towards new housing development in denser apartment-built forms will provide a stock of smaller ownership units.

A CIP could be used to facilitate the development of larger (3 or more bedroom) units within multi-unit buildings and/or Additional Dwelling Units within ground oriented buildings/building sites.

Incentivizing Additional Dwelling Units (ARUs) is a common CIP program to create new rental stock.

The Province supports creation of new ARUs in part by exempting them from some fees, and reduced parking requirements. The Federal government has also released new CMHC mortgage rules for ARUs and a Design Catalogue to encourage their development.

Additional Dwelling Unit: means one or more habitable rooms containing separate kitchen and bathroom facilities for private use as a single housekeeping unit which is contained within a detached dwelling, semi-detached dwelling, linked dwelling or townhouse dwelling already containing a dwelling unit.

2.2.4 Gap 4: Priority Households

Priority household groups, including youth, students, pregnant women, women fleeing violence, Black and racialized individuals, individuals with disabilities, and individuals experiencing homelessness, face disproportionate or unique housing needs relative to other households.

To create a CIP program that targets these types of households is most easily accomplished through directing the incentives to non-profit housing providers that serve these demographics. Non-profit housing providers normally provide affordable rental housing, which also address the needs identified in Gaps 1 and 2.

A CIP that prioritizes funding for non-profit housing organizations that serve priority households has the highest utility for allocating the CIP funding towards the widest range of housing needs in Oakville.

3 CIP Incentive Options

Contents

This section contains descriptions and examples of the following categories of incentives and programs:

- Capital Grants
- Fee Waivers
- Fee Rebates
- Tax Increment Grants
- Property Tax Exemptions
- Provision of Land

3.1 Capital Grants

3.1.1 Overview

Many municipalities provide capital funding in the form of grants. Capital grants are the most common type of incentive, due to being transparent about the amounts being provided and allow for clear multi-year budgeting.

3.1.2 Considerations

A funding source is needed to provide grants; potential funding sources are discussed in Section 4 of the report.

Capital grants have slightly more benefit for condominium development than purpose built rental development because rental developments have a longer time period (i.e. a 40 year mortgage) to amortize funding shortfalls, while a condominium project has to resolve shortfalls at time of construction.

Toronto

City of Toronto's Rental Housing Supply Program includes a Capital Funding Stream. Applications for capital funding are received through an open call for applications on a time-limited basis, with funding of up to \$260,000 per Affordable Rental Home. The actual funding amounts are subject to a competitive application and evaluation process led by City staff.

Though this program is not enabled through a CIP, it illustrates some of the options that can be explored when creating a new grant program.

Guelph

In early 2025, Guelph updated their CIP with three affordable housing programs:

- 1) a Vacant Unit Renewal stream to encourage the conversion and rehabilitation of underutilized existing building stock into affordable rental residential units,
- 2) a New Affordable Housing Unit stream to encourage the inclusion of affordable rental and ownership units in new mid-rise, multi-unit residential or mixed-use developments,
- 3) and a New Additional Dwelling Unit (ARU) program that includes a stream for homeowners and a stream for developers.

Funding for the three programs ranges from \$20,000 to \$120,000 depending on the program stream and the extent of the work required. The affordability period is 25 years for the first two streams and 15 years for ARUs.

3.2 Fee Waivers or Reductions

3.2.1 Overview

Reducing, exempting, or providing grants in-lieu of development charges or planning application fees for specified forms of affordable housing can be an incentive to attract affordable housing investment.

The **More Homes Built Faster Act, 2022** (Bill 23) exempts non-profit housing, inclusionary zoning residential units, ARUs, and affordable and attainable residential units from development charges, community benefits charges and parkland dedication, in new construction.

Incentive programs could go beyond this exemption to provide further planning and building fee relief on targeted developments, such as those providing deeper levels of affordability.

Fee waivers or reductions reduce the total cost of development, enabling the development to support more affordable housing.

3.2.2 Fee Reimbursements

Similar to fee waivers, fee reimbursements are a common way to implement incentives for affordable housing development. The fees are paid, then subject to conditions (i.e. registering the unit as affordable) a grant is provided to the applicant for the amount of the fees paid.

The value of a reimbursement of fees, compared to a fee waiver, is reduced by the carrying costs of these fees over the construction period.

3.2.3 Considerations

A challenge with waiving or reducing fees is that they are needed to provide infrastructure or services, and will likely need to be replaced by another source of funding.

Reducing these sources of revenue has an impact, as the fees are either cost recovery tools for services (ie, permit fees) or are used to build new infrastructure, and property tax revenue would be needed to replace the waived/reduced fees.

York Region

York Region adopted measures in 2019 through its Development Charges By-Law and vision for Complete Communities to allow affordable rental buildings to defer development charges, interest-free, for between 5 to 20 years. This program is available to 1500 housing units over three years and works in addition to pre-existing DC deferral programs that offer purpose-built rental housing 36 months of interest free non-payment.

Strathroy-Caradoc

Since 2021 they have operated a suite of CIP programs that include fee reductions and reimbursements. New rental (four or more units) in downtown are eligible for a reimbursement of 50% of the building permit and planning fees, ARUs are eligible for a 75% reimbursement, and attainable rental projects can receive a 100% refund.

In addition to these fee reimbursements, the Strathroy-Caradoc CIP includes construction cost grants and an annual tax increment grant/reimbursement.

3.3 TIEGs

3.3.1 Overview

Tax Increment Equivalent Grants (TIEGs) consist of the provision of a grant for a portion of the property tax generated by the new development. The amount of the grant is often calculated on the difference between future tax payable and current tax payable (the tax increment) that would result from redevelopment.

3.3.2 Considerations

TIEGs are a common incentive and are considered revenue neutral, as the municipality continues to collect the current tax revenue, while using a portion of the incremental (new) property tax revenue to fund the grant.

TIEGs affect the financial viability of a project after construction, which is particularly valuable for rental projects where being able to aggressively pay down the mortgage over the first few years can have long term financial impacts by reducing the mortgage principal amount and future mortgage payment.

TIEGs are most effective for purpose built rental, where the developer expects to generate their returns over many years. The grants help offset a housing provider's revenue loss when including affordable units in their development.

Peterborough

The City has implemented two CIPs; under one of them, the Affordable Housing Community Improvement Plan, there is a Tax Increment Grant Program that provides an annual grant to property owners. The program reimburses a portion of the municipal property tax increase from increased assessment. For the first five (5) years the grant is equivalent to 100% of the municipal tax increase, with the property owner gradually paying the full tax rate from years six to nine.

Ottawa

TIEGs are the primary tool for incentivizing affordable housing in the City of Ottawa's Affordable Housing CIP.

The program incentivizes the development of affordable rental units in Ottawa. TIEGs use the future property tax gains generated by a new development to help finance the development through annual grants. The grants help offset a housing provider's revenue loss when including affordable units in their development.

The TIEG program provides fixed grants between \$6,000 and \$8,000 per affordable unit per year for 20 years. The value of the grant is determined by the depth of affordability offered in the affordable units, and is limited to a maximum of 50% of the total taxes paid.

3.3.3 How TIEGs Work

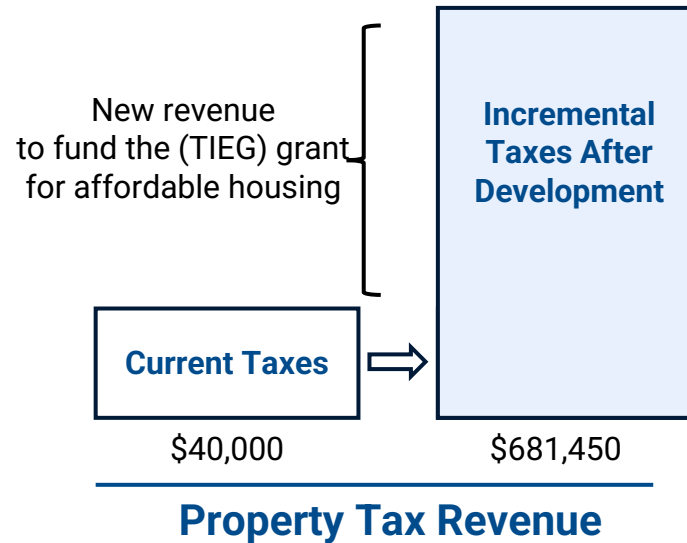
The following two illustrations show how a Tax Increment Equivalent Grant could leverage the incremental property tax revenue to fund new affordable housing.

The illustrations assume that the existing building is a commercial or small residential property that generates \$40,000 in property tax income annually. The redeveloped condominium building is assumed to have approximately 250 units, with 25 of them being affordable rental at 80% of an Average Market Rent (AMR) of \$2,116 (rents set at \$1,693). This new building is assumed to generate \$681,450 in property tax revenue per year.

The revenue loss of renting at 80% of AMR for 20 years is estimated at approximately \$5.1 million, based on the average vacant rents of \$2,549 identified in the housing needs assessment.

Offering a TIEG starting at 100% of the incremental property tax revenue (\$641,450) and reducing the TIEG amount by 10% each year provides a total benefit to the landowner of \$3,528,000 over 10 years, which is less than the assumed revenue loss of \$4,536,000. (Excluding rent increases or losses due to vacancy, etc.)

TIEG Revenue Illustration



Year	TIEG Percentage of Increased Property Taxes	TIEG Amount per Year
1	100%	\$641,450
2	90%	\$577,305
3	80%	\$513,160
4	70%	\$449,015
5	60%	\$384,870
6	50%	\$320,725
7	40%	\$256,580
8	30%	\$192,435
9	20%	\$128,290
10	10%	\$64,145
Total Grant (Incentive)		\$3,528,000
Total Incentive / Affordable Unit		\$141,120
20 year Revenue Loss to the Applicant		\$4,536,000
Proportion of Revenue Loss Offset by TIEG		78%

From the Town’s perspective, there is a tax revenue loss of \$3,528,000 over the first 10 years (assuming the same tax rate for each year) for the benefit of 25 affordable units for the affordability period of 20 years in this illustration. At the same time, the Town would be receiving the balance of the tax revenue (i.e. 74% over the 20 year period).

When developing the CIP program, the proportion of grant and affordable units, and length of the CIP program can be investigated to arrive at a program that provides sufficient incentive to generate applicants for such a program. Detailed analysis of Oakville’s property taxes, potential building sizes and various TIEG percentages can be modelled in the next phase of the CIP project.

3.4 Low-interest or Interest-free Loans

3.4.1 Overview

With low interest loans, the municipality recovers the funds when the project is completed, allowing funds to be reused. Low interest loans can be viewed as reimbursements in reverse. Funds are loaned to the developer up-front and repaid when the project is ready for occupancy. The value for the developer is that they do not have to take out construction loans for these amounts, reducing their construction loan interest costs. This type of program has low costs to the City while realizing the creation of affordable housing.

The rate of interest that a municipality charges can be lower than the borrowing cost a developer would otherwise have.

3.4.2 Considerations

Much of the financial support through the National Housing Strategy (NHS) is provided through low-cost loans, demonstrating that this type of incentive can be used to successfully incentivize new affordable housing.

In light of the current financing programs offered through the NHS/CMHC, this type of incentive may not currently be highly desirable by potential applicants.

Hamilton

The Roxborough Rental Housing Loan Program is intended to provide forgivable loans equivalent to the value of municipal Development Charges required for rental units that are created within the Roxborough Community Improvement Plan Area (CIPA).

This program includes a forgivable loan incentive, where both the principal and interest is forgiven on a pro-rated basis for each year that the following conditions are met:

- a) Rents for eligible units do not exceed 175% of the Average Market Rent (AMR)
- b) Rents for eligible units are maintained as affordable for a period of no less than 10 years; and
- c) The applicant is in compliance with the loan agreement and all the terms and conditions of this program.

London

The Affordable Housing and Additional Residential Unit Loan Program provides financial assistance to offset the up-front costs of development. This program encourages private and non-profit developers to create new affordable housing. Funding is disbursed in the form of a loan, over a specified number of years, in accordance with the funding and eligibility requirements set out in the program guidelines and subject to the City Council's discretion. When creating additional residential units, funding is also available to help offset costs under the same terms. Loans are at a 0% interest rate and are to be paid back over a 10-year period.

3.5 Environment Scan Summary

Incentive/Program	Short Description	Pros	Cons
Capital Grants	Grants provided during the pre-construction or construction phases of development.	<p>Provides access to capital that can help projects get off the ground, reduces construction loan amounts and subsequent interest costs.</p> <p>Fixed grants are simple to calculate and easiest to administer.</p>	<p>Large upfront cost.</p> <p>If the project fails, the municipality may lose its capital investment.</p>
Fee Waivers or Reductions	Reducing, exempting, or providing grants in-lieu of development charges, parkland dedication, or planning application fees for specified forms of affordable housing.	<p>Lower cost than grants or loans.</p> <p>Reduces the total cost of development, enabling the development to support more affordable housing.</p>	<p>The fees are needed to provide infrastructure or services and will likely need to be replaced by another source of funding.</p> <p>Insufficient on its own to enable affordable housing, but may help enable new purpose built rental at market prices.</p>
Tax Increment Equivalent Grants (TIEG)	The provision of a grant for a portion of the property tax amount, usually based on the difference between future tax payable and current tax payable.	<p>Lowest cost to the City, compared to grants, loans or fee waivers or reductions.</p> <p>TIEGs are most effective for purpose built rental, where the developer expects to generate their returns over many years, but can also reduce annual expenses for affordable ownership units.</p> <p>Can be viewed as revenue neutral, as the Town would retain the pre-development property tax revenue.</p>	<p>Mostly applicable to purpose-built rental, not ownership condominium developments where a downpayment assistance program is more often utilized.</p>

Environment Scan Summary

Incentive/Program	Short Description	Pros	Cons
Forgivable Loans	A loan, provided during the pre-construction or construction phases of development. The loan does not have to be repaid (is forgiven) if specific conditions in the program are achieved.	<p>Provides access to capital that can help projects get off the ground, reduces construction loan amounts and subsequent interest costs.</p> <p>Functions like a grant, if the conditions for loan forgiveness are achieved.</p>	Large upfront cost, but lower risk of losing the funds than a capital grant.
Repayable Loans	A loan, provided during the pre-construction or construction phases of development, that must be repaid at a future date.	<p>Provides access to capital that can help projects get off the ground, reduces construction loan amounts and subsequent interest costs.</p> <p>The municipality recovers the funds when the project is completed, allowing funds to be reused.</p>	Large upfront cost, but is eventually recovered.

4 CIP Funding Mechanisms and Implications

Contents

This section summarizes the best practices for funding options for CIPs including:

- Property Taxes
- Municipal Housing Levy
- Community Benefits Charge
- Tax Base
- Tax Base (vacant land specific)
- Other Government Grants (i.e. Building Faster Fund)

4.1 Funding Mechanisms

Community Improvement Plans have flexibility on the source of funding for any incentives being offered through the program or programs.

The legislation does not restrict the source of funding in any way. This enables a municipality to use funding sourced from: property taxes, community benefit charges, any Provincial or Federal funding sources, a (new) specific affordable housing levy, vacant land tax, or any other source of funding.

The quantity of funding required depends on Council's direction on the quantity of affordable housing units to be created and the depth of affordability of the units. A CIP program is assumed to be voluntary; the developer is not required to participate, which means the incentive must be worth at least the amount of revenue reduction that the affordable housing creates, for the incentive to be attractive.

4.2 Affordable Housing Levies

Municipalities can collect specialized levies to fund target programs, including affordable housing. Creating a special levy can be done through a CIP, most frequently to create funding for Business Improvement Areas (or BIAs), or can be applied to all properties through general property tax levy.

Such a levy could be charged to residents throughout Oakville to generate funds to be earmarked for affordable housing.

In 2017 Toronto City Council approved a special dedicated property tax levy for priority transit and housing capital projects equal to a 0.5 percent residential property tax increase in 2017, which increases by an additional 0.5 percent in each year from 2018 to 2021. This general property tax levy applies to all residential properties in Toronto and is enacted through the City's powers to collect property taxes.

4.3 Community Benefit Charges (CBCs)

Affordable housing is an allowed CBC expense type, but is an unreliable source of funding because it depends on new development applications. Affordable housing will also compete with other funding priorities.

4.4 Provincial or Federal One-time Funding

Funding from programs such as HAF, and the Building Faster Fund. Though this funding source does not impose additional costs on the residents of Oakville or on new development, these sources of one-time funding will not address the long term need for affordable housing in Oakville.

4.5 Vacant Homes Tax

Oakville could consider implementing a vacant home tax, which would impose a special tax on vacant residential units.

Funding Source	Short Description	Pros	Cons
Property Taxes	Annual taxes assessed against each property in the municipality.	Is an ongoing source of funding. Can be scaled to any amount of funding.	Affordable housing will compete with other priorities for use of the existing tax revenue.
Affordable Housing Levy	Collect specialized levies to fund affordable housing. A levy could be charged throughout Oakville. As a special levy, it can be subject to a different assignment of costs to different property classes.	Is a new, and ongoing, source of funding. Households already experiencing housing affordability issues may be exempt from the specific levy.	Adds to the tax burden of property owners in Oakville. As a separate tax levy based on a different charge, it may be difficult to make year to year changes, as increases will be noticeable. Whereas in the larger pot of general property taxes, an increase to funding for this program may be balanced by reductions to other programs.
Community Benefit Charges (CBCs)	Affordable housing is an allowed CBC expense type.	Fees associated with growth would fund affordable housing.	Unreliable source of funding; depends on new development and Provincial legislation. Affordable housing will compete with other funding priorities.
Provincial or Federal One-time Funding	Funding from programs such as the Building Faster Fund (BFF).	The funding is intended for creation of housing. Is not directly paid by residents of Oakville.	One-time funding will not address the long term need for affordable housing in Oakville. Existing BFF funding is allocated to other work and any future BFF is based on housing starts.
Vacant Homes Tax	Oakville could consider implementing a vacant home tax, which would impose a special tax on vacant residential units.	Collects revenue from property owners that are keeping residential units vacant, for creation of new units to offset these vacant units.	Unreliable source of funding; the amount collected will vary from year to year.

5 CIP Program Options

Contents

This section describes four potential types of CIPs programs:

- Funding non-profit housing providers that serve priority households
- An ARU program to create affordable rental units
- A program to create affordable large ownership units in new multi-residential buildings;
- A purpose-built rental housing program.

5.1 Potential CIP Programs

The following are four types of programs that could be incentivized through a CIP. An evaluation of how each of these programs align with the four housing gaps identified in the Housing Needs Assessment follows these descriptions. In the evaluation table, a relative ranking of high, moderate and low is provided to show how these four programs compare to each other.

1) Affordable Rental Owned by Non-Profit Housing Providers

This program focuses on providing funding to non-profit housing providers in Oakville, encouraging the creation of new affordable rental units.

These housing providers generally serve priority households, which aligns well with at least three of the Housing Gaps: affordability, increasing rental stock and housing for priority households.

It may be easier to manage an affordable housing incentive programs (through a CIP) for rental housing operated by non-profit housing providers than affordable ownership housing, because affordable housing providers are familiar with reporting on programs and tenant selection requirements, where homeowners are not.

2) New Purpose Built Rental

This program would provide incentives for the creation of new purpose built rental buildings. The financial analysis will explore the amount of funding needed to provide sufficient incentives for developers to participate in the program. The financial analysis will examine both affordable rental, at Average Market Rents, and rents near market rents (somewhere between 125% and 175% of AMR).

This program responds to Gap 2, the need for additional rental housing, and may provide affordable rental (Gap 1) depending on the depth of affordability in the final program.

The financial analysis will include the different treatment of development charges, community benefits charges and parkland dedication for affordable (at AMR) versus “market” (above AMR) rental prices.

3) Affordable Larger Units

This program would incentivize creation of units with 3 or more bedrooms within apartment buildings. This would increase the supply of this rarely provided unit type in new multi-residential buildings.

This program responds to Gap 1, improved affordability and Gap 3, diversifying the housing stock.

4) ARU program

This program would incentivize new ARUs. Incentivizing ARUs is a common CIP program.

The new ARUs are generally affordable, and always rental tenure, addressing Gaps 1 and 3.

The program can offset municipal fees and/or provide capital grants. Fee reimbursement is both relatively simple to implement and is attractive to homeowners that are considering building an ARU.

High Level Evaluation of Program Options

Program Type	Gap 1 Affordability	Gap 2 Increase Rental Stock	Gap 3 Housing Stock Diversity	Gap 4 Priority Households	Quantity of Funding	Type of CIP Program
Affordable Rental through non-profit housing providers that serve priority households	High Both the program and the non-profit mission require affordable units.	High All units are rental	Moderate Most not-for-profits would be interested in smaller multi-residential buildings	High Their missions are for housing priority households	High The funding per unit and number of units will be high.	TIEGs and Capital Grants are viable tools for enabling creation of rental housing that targets priority households.
ARU Incentives	Moderate ARUs tend to rent below AMR, even without incentives. High , if deeper affordability is required.	Moderate ARUs can be required to be rental, and will be in diverse locations.	Low ARUs will be in diverse locations, but would be limited in number; they are limited to low-density sites and no more than 2 per lot.	Low Given the wrap around support that is may be required for priority households, ARUs are not optimal for these types of households.	Low Funding per unit may be shallow, to encourage proceeding with a project that there is already interest in doing.	Capital Grants to reimburse fees at unit occupancy. Forgivable Loan Program can ensure that unit is occupied based on requirements of the program for the duration of the agreement.
Affordable Ownership of Large Units (3 or more bedrooms)	Low Households at the 6 th decile are targeted.	None Not rental	Low to Moderate 3 or more bedroom units within apartment buildings would increase the supply of this rare unit type.	Low Difficult to enforce sale to priority households.	High Large gap between affordable ownership price and market prices for large units.	Capital Grants to the developer to offset the price difference are needed to ensure the units are sold at an affordable price. A TIEG could be considered, to help with mortgage carrying costs.
Purpose Built Rental Incentives	Moderate to Low Rents at 100% of AMR are affordable. Higher rents would not be affordable, but would create new rental stock.	High All units are rental	Moderate The amount of funding needed to make new rental viable suggests that smaller multi-residential would be the target built form.	Low Renting to priority households (from the housing waitlist) is difficult to negotiate in market rental buildings.	High There is a large gap between expected profitability and current rental development in Oakville.	Capital Grants and TIEGs are both needed to help get projects started, and provide operating funding (TIEG) while the mortgage is largest.

6 Financial Analysis

Contents

This section provides preliminary analysis of the potential financial cost to the Town and financial impact to the affordable housing proponents of each program and incentive type to inform program development for the Town's CIP.

6.1.1 Program Analysis Scope

The following four types of programs that can be incentivized through a CIP were evaluated.

1. Affordable Rental Owned by Non-profit Housing Providers
2. New Purpose Built Rental
3. Affordable Larger Units
4. Additional Dwelling Unit program

The evaluation included both financial aspects and preliminary implementation options and challenges.

Analysis goal:

Identify the amount of subsidy required to offset the revenue loss of the affordable housing.

This measure enables a discussion on the magnitude of the incentives needed to incentivize participation in a program by a rational investor.

6.1.2 Analysis Methodology

The methodology to determine revenue reduction (loss) from the affordability requirement differs between the potential programs.

RLV Impact: The analysis for the Affordable Rental and New Purpose-Built Rental programs used the residual land value (RLV) Impact methodology. The RLV for each built-form scenario is calculated with only market housing, then calculated again with affordable housing included in the scenario. The revenue loss is the difference in RLV. The RLV includes the impact of the mandatory incentives.

Affordable ownership impacts: For the affordable larger units program, the difference between market sales price and the affordable sales price is used to determine the revenue loss.

Affordable rental impacts: For the ADU program, the *capitalized* difference in the affordable rent and market sales price is the approximate revenue loss.

The key assumptions used in the financial modelling are provided in the appendix at the end of this report.

Existing Incentives

Recent changes to the *Planning Act* and *Development Charges Act* require municipalities to defer or waive various fees for affordable housing. This analysis identifies what the total incentive needed to offset the revenue loss is, and how much incentive above the mandatory contributions are needed.

Development charges, community benefits charges and parkland dedication provide funding for infrastructure needed to service growth. Legislative exemptions from these charges for affordable housing needs to be replaced by other funding sources to build the required infrastructure. In 2026, the financial impact as it relates to Town charges of these exemptions would equate to approximately \$30,366 for a bachelor or one bedroom unit, and \$37,667 for two or more bedroom unit.



Capitalization is estimating the value of a property based on its rental income. Income divided by capitalization rate is a quick way to determine the resale value of a property.

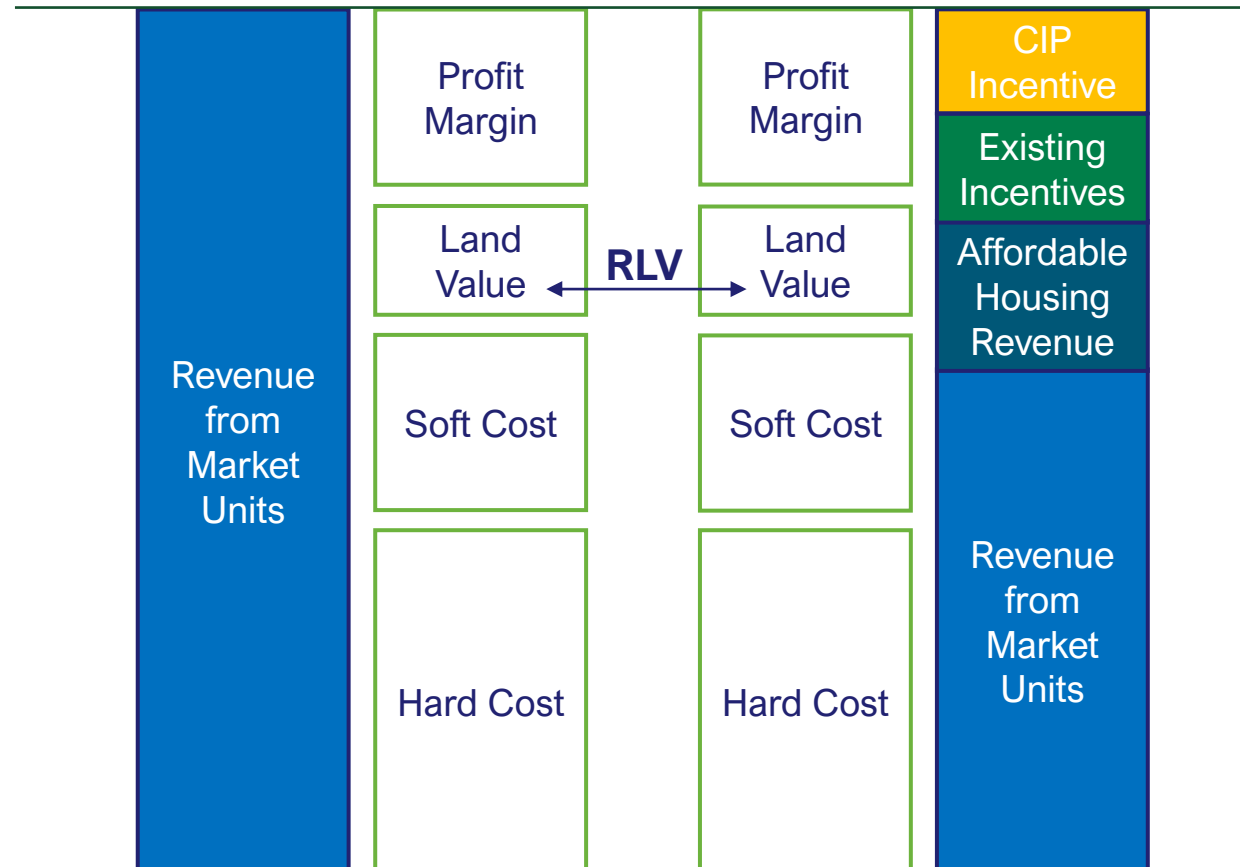
Residual Land Value Analysis Methodology

Market price = maximum the market can bear

The approach to testing the impact of including affordable housing in new development is completed through a Residual Land Value (RLV) analysis.

The incentives are sized to offset the revenue impact (reduced RLV) of the affordable housing.

Existing incentives include the provincially required DC, CBC and Parkland deferrals, reductions and waivers, plus federal and provincial HST reductions for purpose built rental buildings.



6.1.3 Designing Incentive Programs

When considering the design of incentive programs the following should be considered:

- Target depth of affordability
- Incentive funding sources
- Target built forms or locations in the municipality
- Administrative burden

Identify which types of incentives are most effective based on:

- Tenure of the base project
- Tenure of the affordable housing units
- Duration of affordability
- Depth of affordability
- Value for money – how much affordable housing is being generated per municipal dollar invested.

6.1.4 Financial Impact Perspectives

The financial impact of adding affordable units to a residential development project can be estimated in many different ways, and the perceived impact will differ depending on the financial structure of the developer and how they measure the financial outcomes of the project.

Affordable Ownership is one of the clearest scenarios: the difference between the market and affordable prices is the obvious impact, but once reduced municipal fees, and reduced HST and real estate fees are included the actual impact is lower than the apparent impact.

Affordable Rental in a purpose built rental building is similar to the affordable ownership scenario, where the difference in market rents and affordable rents is the apparent financial impact. But, like affordable ownership, once reduced fees and costs are factored in, the actual impact is lower.

The financial impact of **Affordable Rental in an ownership condominium** can be estimated by capitalizing the difference in rents and comparing to the sales price of the condo unit.

6.1.5 Voluntary versus Mandatory Affordable Housing Programs

It is relevant to compare how a mandatory participation policy such as inclusionary zoning (IZ) and a voluntary program such as a CIP may be financially assessed.

For IZ the public sector is providing additional density, transportation improvements, and improved community amenities in exchange for some affordable housing units; **some of the anticipated profitability of the project is assumed to be reallocated** to affordable housing.

For a CIP, the municipality is **exchanging funding for affordability, rental tenure units, or specific housing types** in locations that have not received significant public investment in infrastructure that improves the profitability of the project.

6.2.1 Preliminary Analysis Results

Additional analysis of the programs proposed in the September report (summarized in Section 5) identified desirable modifications to improve the outcomes of the program, and elimination of some options that did not achieve necessary program outcomes.

The Affordable Rental program was modified to model unit acquisition by non-profit housing providers which are then offered at affordable rents. This program achieves improved affordability and rental outcomes compared to the affordable ownership 3-bedroom unit program, at lower costs to the Town.

The purpose built rental program analysis shifted from adding some affordable units to an in-development rental building to identifying the amount of incentive needed to make market-rate purpose-built rental buildings viable. The purpose-built rental analysis also examined the incremental cost to add 10% affordable units.

6.2.2 Potential Programs in this Report

Affordable Rental Owned by Non-profit Housing Providers focuses on providing funding to non-profit housing providers in Oakville to acquire units that will be provided to households as affordable rental units. Acquisition of housing units by NPHPs, with the Town providing a forgivable loan, would permanently increase the stock of affordable rental housing in Oakville.

Additional Residential Unit (ARU) incentive focuses on understanding what would be a reasonable grant value to compel a household with an existing residential unit to add an ARU (interior or detached) to their property, and how much more would it need to be if the unit was required to be affordable.

The **Purpose Built Rental** analysis aims to identify what additional funding the applicant would need from the Town to make purpose-built rental viable in Oakville, assuming that the applicant will be successful in receiving a CMHC construction loan and meets the CMHC Apartment Construction Loan Program (ACLP) affordability requirements. This analysis examines the options of providing grant funding, and financial support through an annual grant implemented through a TIEG.

6.3.1 Principles for CIP Program Selection and Design

Based on the background research, the following principles are recommended for use when selecting and designing Oakville's CIP. Each program should:

- Address two or more housing gaps;
- Provide sufficient incentive for proponent uptake, as quantified through financial modelling;
- Be stackable with other programs offered by the Region, Province, Federal governments and/or others;
- Be administered in a simple/straight forward manner;
- Be financially viable for the Town and the applicant;
- be implemented anywhere within the Town's urban area.

6.3.2 Analysis Methodology for the Potential Programs

The following section provides a summary of how each program aligns with the selection criteria described here, and key observations from the analysis. It is then followed by more detailed information about the magnitude of potential financial incentives.

6.3.3 Program Assessment

Program Description

To incentivize addition of an ARU to an existing residence, to create one or more new rental units. One option is to require the ARU to be affordable for 10 years, a second option is to rely on the natural affordability of ARUs without having an affordability requirement.

ARUs generally rent below full-market prices; they naturally trend near or below AMR.

Key Observations

Research on how other municipalities found that there are two general strategies, a shallow incentive with no enforcement of an affordability requirement, and a larger incentive that comes with an affordability requirement.

Both implementations are creating new housing units, and would address a portion of Oakville’s affordable housing need.

Recommendation

Proceed with detailed program design of both options and allow applicants to select one of the two options when they apply for the program.

Criteria	Shallow Incentive with No Affordability Requirement	Larger Incentive with Affordability Requirement
Address two or more housing gaps	Responds to Gaps 1 & 2 (Affordability & Rental), with affordability (generally) provided without enforcement, and increases the diversity of the housing stock (Gap 3).	Responds to Gaps 1 & 2 (Affordability & Rental), with affordability enforced through monitoring, and increases the diversity of the housing stock (Gap 3)..
Incentive amount will promote program uptake	Most ARU programs provide smaller incentives (less than \$20k), with low administrative costs for the applicant.	ARU programs with a monitored affordability requirement tend to offer a larger incentive amount to both offset the revenue reduction, and provide some compensation for ongoing administrative costs.
Stackable with Existing Funding Programs	Provincial waiver of local fees (i.e. DC and parkland)and zoning requirements (zoning for 3–units is as of right) apply for all programs. Federal loan insurance is stackable (see: CMHC Refinance for Building Secondary Suites CMHC)	
Simple / Straightforward Administration	Very low cost. Simple. No affordability period. Registration of the ARU may be sufficient oversight/monitoring.	Staff would need to assess whether capital costs meet eligibility . Requires monitoring for rental and affordability period. Requires creation of an instrument on title for enforcement of the affordability requirement.
Financially viable given Town resources (incentive per unit)	Approximately \$10k per unit. Very low ongoing administration.	Approximately \$55k per unit. Some staff time needed for monitoring and administration.
Can implemented anywhere within the Town’s urban area	Low density areas within the Town.	

6.4.1 Program Overview

This program would incentivize new Additional Residential Units (ARUs). Incentivizing ARUs is a common CIP program.

There are two strategies for ARU incentives in other municipalities:

- a lower cost program with low monitoring requirements, and
- a higher cost program that includes ongoing monitoring of affordability.

Examining the 22 ARU programs highlighted in the *Town of Oakville White Paper: Planning Act Tools to Facilitate the Development of Affordable Housing*, 16 have incentives at or below \$20,000 with an average incentive of \$9,750 and 7 of those programs offering incentives that offset only development or building fees and charges.

Six ARU programs offer incentives that average \$55,000 per ARU and include a requirement to provide affordable rents for 10 to 25 years. These programs are mostly forgivable loans, with partial loan forgiveness for each year the unit is provided at or below the affordable rent requirement.

6.4.2 Financial Assessment

There is no reliable data for determining the market price that ARUs are rented at in Oakville. Generally though, ARUs rent at or below the rents reported by CMHC for average rents in purpose built rental buildings (AMR). An ARU program that requires the unit to be rented at 100% of AMR, does not provide additional affordability – the units will likely rent near this amount, without a requirement to do so.

Building code changes have increased the cost to add an ARU to an existing property, with some municipalities responding to this increased cost by increasing ARU incentive amounts.

The rental affordability impact is similar for shallow and more substantial incentive amounts, though ongoing affordability monitoring will ensure the units remain rented.

Creating (Incentivizing) a new rental unit in Oakville for less than \$100k per unit is excellent value, compared to almost any affordable housing program. The value for money for a larger incentive, near \$55k, or for a smaller amount (near \$10k) is excellent in both cases.

6.4.3 Implementation Assessment

Providing a grant through a CIP is standard practice, with many examples of how it can be administered for incoming development applications.

A shallow incentive ARU program enables creation of new affordable rental opportunities in Oakville, with very low costs for program administration for all parties.

Requiring, monitoring, and enforcing that the units be affordable is a different strategy for implementing an ARU program. The trade off is increased ongoing monitoring and enforcement costs.

The shallow incentive could enable more rental units being created for the same investment from the Town, with lower program administration costs.

6.5.1 Program Assessment

Program Description

To foster provision of affordable rental housing operated by non-profit organizations. Units may be in a stand-alone non-profit building or may be a block of units within a market condominium building.

Assuming a mix of units would be acquired and operated at 100% of AMR, the weighted average incentive (80% small units and 20% larger units) would be \$276,400 per unit.

Key Observations

The analysis assumes acquisition of units in new condominium buildings, where the list prices are assumed to be \$1,160 per sq. ft. which is likely higher than what will be seen in the next few years. This suggests that detailed program design may need to have annual updates to the incentive amount based on current market prices, or be based on a proportion of the proposed acquisition amount.

Recommendation

Proceed with detailed program design, clarifying:

- 1) what types of acquisitions are allowed including new versus resale, and blocks of units versus individual units, and
- 2) the methodology for determining the incentive amount that will respond to changing market conditions.

Criteria	Acquisition with Rents at 100% of AMR	Acquisition with Rents at 80% of AMR
Address two or more housing gaps	Strongly addresses 4 gaps: affordability, rental, priority populations, and diversified housing stock.	
Incentive amount will promote program uptake	Yes, the modelled program incentive amounts would be desirable for non-profit housing providers	
Stackable with Existing Funding Programs	CMHC offers attractive loans for Not-For-Profit Organizations. Halton Region currently offers a 40% tax rebate to Registered Charitable Organizations. All rental units are subject to DC deferrals, and reduced rates based on unit size. Affordable rental is exempt from DC, CBC and Parkland contributions.	
Simple / Straightforward Administration	Moderate to low cost of monitoring, as the non-profit providers have organizational infrastructure to provide ongoing monitoring reports to the Town.	
Financially viable given Town resources (incentive per unit)	Studio: \$176K 1-Bedroom: \$255k 2-Bedroom: \$443k 3-bedroom: \$597K	Studio: \$221K 1-Bedroom: \$319k 2-Bedroom: \$520k 3-bedroom: \$677K
Can be implemented anywhere within the Town's urban area	Anywhere housing is permitted within Town.	

6.5.2 Program Analysis

The Affordable Rental Owned by Non-profit Housing Providers (NPHP) program focuses on providing funding to **non-profit housing providers in Oakville to acquire units in new condominium buildings** that will be provided to households as affordable rental units.

The financial analysis examined the amount of mortgage the non-profit provider could carry while charging affordable rents at 100% or 80% of AMR. The mortgage assumed a **20% downpayment by the NP** and no additional costs such as condominium fees or property taxes. The intent of these exclusions is to arrive at an approximate amount of incentive needed.

Acquisition of housing units by NPHPs would permanently increase the stock of affordable rental housing in Oakville.

6.5.3 Financial Assessment

The amount of incentive needed to enable purchasing market units is the difference between the mortgage that can be carried while charging affordable rents, and the market price; assuming a 20% downpayment by the NPHP. When rented at 100% of AMR the incentive amount ranges from \$176K for a studio unit to \$597K for a 3-bedroom unit. Assuming a mix of units would be purchased, the weighted average (80% small units and 20% larger units) would be \$276,400 per unit.

If the NPHP will offer rents at 80% of AMR, the incentive would need to range from \$221K to \$677K for studio and 3-bedroom units.

6.5.4 Implementation Assessment

This program is comparatively simple to administer, with an upfront grant being provided, then annual monitoring that rents remain affordable.

The detailed design of the program would need to:

- 1) what types of acquisitions are allowed including new versus resale, and blocks of units versus individual units
- 2) the methodology for determining the incentive amount that will respond to changing market conditions
- 3) determine whether the grant from the Town is repayable or forgivable.

NPHP Acquisition with Rents at 100% of AMR					
	Acquisition Price (Condo unit) (A)	20% Down payment by NPHP (B)	Max Mortgage at 100% AMR (C)	NPHP Contributions (D=B+C)	Incentive (Difference from Market Price) (E=A-D)
Studio	\$499,445	\$100,000	\$223,000	\$323,000	\$176,000
1-bedroom	\$717,953	\$144,000	\$319,000	\$463,000	\$255,000
2-bedroom	\$1,030,106	\$206,000	\$381,000	\$587,000	\$443,000
3-bedroom	\$1,248,612	\$250,000	\$402,000	\$652,000	\$597,000

NPHP Acquisition with Rents at 80% of AMR			
	Max Mortgage at 80% AMR (F)	NPHP Contributions (G)	Incentive (Difference from Market Price) (H=A-G)
Studio	\$178,200	\$278,200	\$221,000
1-bedroom	\$255,400	\$399,400	\$319,000
2-bedroom	\$304,600	\$510,600	\$520,000
3-bedroom	\$321,900	\$571,900	\$677,000

6.6.1 Program Assessment

Program Description

To support creation of purpose built rental aligned with CMHC programs that require minimum percentage of units to be affordable (CMHC ACLP program). An annual property tax grant is geared to bridge the gap between market and affordable rent for a period of time.

Key Observations

In all cases, the annual grant would need to exceed the total property taxes for the entire building, at least for the first few years of operation of a new rental building.

There is a very large financial gap between current market rents and the cost to build and operate new rental buildings. There is also low ability to increase market rents in the current rental market, meaning that it may not be feasible to decrease the incentives each year, and retain viability of the rental building.

TIEGs remain a desirable incentive type for purpose built rental developers, but may not be sufficient on its own to unlock new rental in Oakville. Introducing a TIEG program that is affordable to the Town, may catalyze rental development in the future, and help to maintain the growing supply of rental housing resulting from the current trend of condo developers opting to build rental housing.

Recommendation

Proceed with detailed program design, clarifying the methodology for determining the incentive amount that may better align with the tax increment amount.

Criteria	No Affordability Requirement	10% of units rented at 100% of AMR	10% of units rented at 80% of AMR
Address two or more housing gaps	Rental housing: Strong alignment. Diversified Housing Stock: some alignment.	Rental housing: Strong alignment. Affordability: Strong alignment. Addresses affordability need of moderate rental households and moderate all households. Diversified Housing Stock: some alignment.	
Incentive amount will promote program uptake	Incentive provides funding in addition to CMHC construction loan, improves overall project viability for builder already interested in rental development.		
Stackable with Existing Funding Programs	Market rents in Oakville meet the minimum affordability thresholds of the CMHC ACLP program. DC deferrals, and reduced rates based on unit size. Affordable rental is exempt from DC, CBC and Parkland.	CMHC Apartment Construction Loan (ACLP) terms improve with deeper affordability and larger proportion of affordable units. All rental units are subject to DC deferrals, and reduced rates based on unit size. Affordable rental is exempt from DC, CBC and Parkland.	
Simple / Straightforward Administration	Moderate administrative overhead for monitoring rents over the duration of the affordability period. Affordability to be monitored by CMHC. Conversion from rental to condominium requires permission from Town, Town by-law generally prohibits conversion. Some administrative cost to manage disbursement of the annual grant.		
Financially viable given Town resources (per unit)	The annual grant exceeds the total annual property taxes.	The annual grant exceeds the total annual property taxes. The wood-framed small apartment <i>may</i> be viable, with a TIEG that starts at 100% of taxes and declines over time.	
Can implemented anywhere within the Town's urban area	Yes, all multi-residential zones.		

6.6.2 Financial Assessment

This program would provide incentives in the form of an annual grant for the creation of new purpose-built rental buildings.

The annual TIEG needed per building to make a market rate purpose built rental building viable ranges from \$3.6 M for a concrete high rise to \$78 K for a small apartment. The range of incentive amounts is driven by the difference in development costs between large concrete buildings and wood framed buildings. Additional information on construction assumptions can be found in the appendix. The analysis assumes favourable mortgage loan rates through the CMHC ACLP program.

In all cases, the annual grant would exceed the incremental property taxes for the entire building.

Applying the entire TIEG amount for 20 years results in total contributions from the Town of between \$73M and \$1.56M to enable a new purpose-built rental project. To illustrate how a TIEG can help with project viability, but not fully offset the revenue losses, the financial results for a TIEG that declines by 10% each year for 10 years is also shown in the table. These reduced contributions would result in total contributions of between \$20M and \$430K, and would help with the viability of purpose built rental project, but would need to assume that growth in the rental market rates in Oakville would be sufficient to enable the project to be operationally viable after the first few years.

Apartment Construction Loan Program (ACLP): The current federal rental loan program is intended to support construction of new market rental buildings providing favourable interest rates for projects that have allowable rents much higher than Oakville’s affordability targets for renter households.

Annual TIEG Per Building to Achieve Viability All Units Rented at Full Market Prices					
		High Rise	Midrise	Midrise (Wood)	Small Apartment
Total Units		304	95	95	17
Estimated Property Taxes (Total Building)		\$551,847	\$168,231	\$168,231	\$30,860
20-year non-declining grant	Annual	\$3,664,800	\$880,000	\$594,100	\$78,340
	Total	\$73M	\$17.6M	\$11.9M	\$1.56M
Illustration: Lower cost TIEG that does not fully offset the revenue reduction					
10-year declining grant	Annual (average)	\$2,015,640	\$484,000	\$326,755	\$43,087
	Total	\$20M	\$4.8M	\$3.2M	\$430K
Annual TIEG Per Building to Achieve Viability 10% of Units at or below AMR Non-declining TIEG					
		High Rise	Midrise	Midrise (Wood)	Small Apartment
Total Units		304	95	95	17
Estimated Property Taxes (Total Building)		\$551,847	\$168,231	\$168,231	\$30,860
10% of Units Rented at 100% AMR	Annual	\$3,758,300	\$872,600	\$588,500	\$71,600
10% of Units Rented at 80% AMR	Annual	\$3,777,600	\$879,000	\$594,800	\$72,900

6.6.3 Implementation Assessment

There is a very large financial gap between current market rents and the cost to build and operate new purpose-built rental buildings. It is likely that new rental buildings currently being brought to market in Oakville are tactical decisions by developers to avoid the complete loss of a planned condominium project. An incentive such as this TIEG could create the conditions to enable ongoing development of rental buildings.

The annual grant would exceed the incremental property taxes for the entire building, meaning that it would not be completely funded from the increased property tax amount created by the redevelopment. The program would need an additional source of funding.

An annual grant such as a TIEG enables the developer to carry a larger mortgage, or phrased differently, is able to borrow more to construct the building. The capital grant option (discussed next) assumes that the Town would provide the additional capital funding.

The financial analysis looked only at the net operating revenues and costs in the first year of operation. A ten or twenty year operating analysis would be needed to assess the impact of a declining TIEG. Though it is expected that the TIEG would enable the applicant to pay down the principle of the mortgage, lowering their operating costs in future years. Which is why TIEGs frequently have a declining grant amount – the need for additional annual operating revenue declines as rents gradually increase and the mortgage principle is reduced.

6.7.1 Program Assessment

Program Description: To support creation of purpose-built rental aligned with CMHC programs that require minimum percentage of units to be affordable (CMHC ACLP program). For this program, a capital grant is geared to achieve viability of development.

The amount of capital grants in the following table are for each unit in the building, not just for the affordable units. There is a very large financial gap between current market rents and the cost to build and operate new purpose-built rental buildings.

Key Observations

There is a very large financial gap between current market rents and the cost to build and operate new purpose-built rental buildings. It is likely that new rental buildings currently being brought to market in Oakville are tactical decisions by developers to avoid the complete loss of a planned condominium project.

Market rents can not fully support the mortgage amount, which means that even these units require a subsidy. When the grant is distributed across all market rental units it ranges from \$269,100 per unit for a high rise to \$102,900 for a small apartment.

Recommendation

Do NOT proceed with detailed program design.

Creating new purpose built rental buildings is a major need in Oakville, but the scale of this capital grant program makes it challenging.

Criteria	No Affordability Requirement	10% of units rented at 100% of AMR	10% of units rented at 80% of AMR
Address two or more housing gaps	Rental housing: Strong alignment. Diversified Housing Stock: some alignment.	Rental housing: Strong alignment. Affordability: Strong alignment. Addresses affordability need of moderate rental households and moderate all households. Diversified Housing Stock: some alignment.	
Incentive amount will promote program uptake	Incentive provides funding in addition to CMHC construction loan, improves overall project viability for builder already interested in rental development.		
Stackable with Existing Funding Programs	Market rents in Oakville meet the minimum affordability thresholds of the CMHC ACLP program. DC deferrals, and reduced rates based on unit size. Affordable rental is exempt from DC, CBC and Parkland.	CMHC Apartment Construction Loan (ACLP) terms improve with deeper affordability and larger proportion of affordable units. All rental units are subject to DC deferrals, and reduced rates based on unit size. Affordable rental is exempt from DC, CBC and Parkland.	
Simple / Straightforward Administration	Moderate administrative overhead for monitoring rents over the duration of the affordability period. Affordability to be monitored by CMHC. Conversion from rental to condominium requires permission from Town, Town by-law generally prohibits conversion.		
Financially viable given Town resources (per unit)	For every unit in the building: \$269,100 for a concrete high rise to \$102,900 for a small apartment.	For every unit in the building: \$275,100 concrete \$94,000 small apartment	For every unit in the building: \$276,500 concrete \$95,700 small apartment.
Can implemented anywhere within the Town's urban area	Yes, all multi-residential zones.		

6.7.2 Financial Assessment

Based on the scenarios shown in the table, this program would provide incentives for the creation of new market rate purpose-built rental buildings.

The capital grant needed to make a market rate purpose-built rental building viable ranges from \$81 million to \$1.7 million, or when distributed across all the market units, ranges from \$269,100 per unit for a concrete high rise to \$102,900 for a small apartment.

The range of incentive amounts is driven by the difference in development costs between large concrete buildings and wood framed buildings. Additional information on construction assumptions can be found in the appendix. The analysis assumes favourable mortgage loan rates through the CMHC ACLP program.

The proportion of funding needed to enable the modelled rental projects to be viable ranges from 37% for the concrete high rise scenario to 19% for the wood-framed small apartment.

	High Rise	Midrise	Midrise (Wood)	Small Apartment
Total Units	304	95	95	17
Project Cost	\$221,400,000	\$63,100,000	\$57,100,000	\$9,200,000
Total Grant	\$81,411,000	\$19,547,000	\$13,194,000	\$1,740,000
Grant (% of cost)	37%	31%	23%	19%
Grant for Each Unit in the Building to Achieve Viability				
Base Case (100% Market)	\$269,100	\$206,800	\$139,600	\$102,900
10% of Units Rented at 100% AMR	\$275,100	\$209,500	\$141,300	\$94,000
10% of Units Rented at 80% AMR	\$276,500	\$211,000	\$142,800	\$95,700

Apartment Construction Loan Program (ACLP): The current federal rental loan program is intended to support construction of new market rental buildings providing favourable interest rates for projects that have allowable rents much higher than Oakville's affordability targets for renter households.

6.7.3 Implementation Assessment

Because market rents can not fully support the required mortgage amount, all units, including market rate units, require a subsidy. This program can respond to the need for more rental housing, but it would be very challenging for the program to provide units that are affordable to renter households.

The one-time capital grant needed for new construction of purpose-built rental is significant. For example, the modelled 95-unit midrise building needs grants of between \$13 million and \$19 million per building, which means that very few projects can be funded unless a significant funding source is allocated to the program.

7 Conclusions and Next Steps

This section provides conclusions from the analysis and identifies next steps for the selection of incentives to be financially modeled.

Creating the detailed design of each CIP program includes consultation with Town staff and the Technical Advisory Team to design the shortlisted programs and finalize the financial implications.

Contents

Key elements of the next steps include:

- Detailed design of each CIP program
- Finalize the financial implications of the selected programs.

7.1 Financial Analysis Conclusions

Using the 4 gaps identified in the HNA to contextualize potential CIP programs, input from the financial analysis, and preliminary examination of the ease of implementation, the following programs are recommended for consideration:

1. An Additional Dwelling Unit Grant program with two affordability level options to create affordable rental units,
2. A forgivable loan program that enables Affordable Rental Owned by Non-profit Housing Providers,
3. A TIEG program for Purpose-Built Rental to assist with narrowing the gap between revenues received and the project cost.

Next Steps

The outputs of the next phase of the CIP project include the detailed design of each of the three recommended CIP programs including program parameters, eligibility criteria, funding amount, etc. and the Town updating or adopting a CIP Project Area By-law.

Creating the programs will include consultation with Town staff and the Technical Advisory Team to design these programs.

While the financial analysis herein strived to bridge the gap between market and affordable housing, the ultimate CIP programs may not achieve this goal. Through consultation, and further analysis the maximum grant amounts will be further analysed and determined based on what the Town can reasonably fund.

Once the programs are developed additional information will be provided regarding the financial impact to the Town along with benefits of the program to the Town and possible funding sources to support the recommended program(s).

8 Appendix

Key assumptions used in the financial analysis are provided in this appendix.

Assumptions: Built Form

The financial pro-forma allows testing of how a suite of incentives would affect a “prototype” development.

Key criteria are the size of the building and the construction materials.

	High Rise	Midrise	Midrise	Small Apartment
Building Height (storeys)	24	8	8	3
Podium Floor Plate (sq. m.)	1700	875	1332	415
Tower Floor Plate (sq. m.)	800	N/A	N/A	N/A
Construction Type	Concrete	Concrete	Wood framed	Wood framed
Units	305	95	95	17

Modelled Program Variables

This table shows which variables are elements that Council can choose for each of the potential CIP programs.

Other variables used in the financial model are standard industry and financial data that is outside of Council's purview or scope of influence.

Program Variables		
Variable	Value	Notes
Affordability Period	25 years	
Depth of Affordability	100% and 80% AMR & 60 th percentile ownership affordability	Purpose built rental also modelled at full market rents of \$3.25 per sq. ft.
Proportion of Affordable Units	10%	Enables creation of small amounts of affordable units in multiple locations. The results for 10% are generally scalable to 5%, 15% or 20%.
Tenure of Base Building	Ownership Rental	
Tenure of Affordable Units	Rental Ownership	Affordable rental can be operated in an ownership condominium building.
Type of Incentive	Up-front Grant Annual Grant (TIEG)	The amount of incentive required is calculated for these categories of incentives.
Built Form	Highrise, Midrise, Small Apartment, ARU	Midrise is modelled twice: concrete and wood construction. The ARU scenario considered the conversion of an existing building, or the provision of an accessory dwelling unit.

Unit Mix, Sizes & Parking

These tables shows the unit mix, parking and unit sizes used in the financial modelling.

Highrise and Midrise Building		
Unit Type	Apartment Unit Sizes (sq. ft.)	Parking Ratio (Incl. Visitor)
Studio	431	1.25 In alignment with the zoning by-law
1-bedroom	619	
2-bedrooms	888	
3-bedrooms	1076	

Small Apartment		
Unit Type	Unit Sizes (sq. ft.)	Parking Ratio (Incl. Visitor)
Studio	431	1.25
1-bedroom	619	1.25
2-bedrooms	888	1.25
3-bedrooms	1076	1.25

Unit Mix	CIP	Notes
Studio	10%	The Affordable 3-bedroom unit program to increase the amount of 3-bedroom units.
1-bedroom units	50%	
2-bedroom units	30%	
3-bedroom units	10%	

Unit Prices

The analysis uses a sales price of: \$1,160 per square foot for new condo units, reusing the 2025 Inclusionary Zoning Analysis assumption.

Ownership Pricing	
Ownership	Apartment & Stacked Town
Studio	\$580,000
1-bedroom	\$696,000
2-bedrooms	\$1,015,000
3-bedrooms	\$1,218,000

The analysis uses a market rental price of: \$3.25 per square foot, which is a moderation of the pricing used in the 2025 Inclusionary Zoning Analysis, recognizing that outside of the MTSA rental pricing will be lower.

Rental Pricing		
Rental	Average Market Rents	Market Price
Studio	\$1,317	\$1,399
1-bedroom	\$1,888	\$2,012
2-bedrooms	\$2,251	\$2,886
3-bedrooms	\$2,379	\$3,498

The necessary sales price for a community housing provider to service a mortgage at 5% interest and 20% downpayment is shown in this table.

Non-Profit Housing Provider Purchase Price		
	100% AMR	80% AMR
Studio	\$278,000	\$223,000
1-bedroom	\$399,000	\$319,000
2-bedrooms	\$476,000	\$381,000
3-bedrooms	\$503,000	\$402,000

Capital Costs

These tables shows key capital cost (also known as hard cost) assumptions used in the financial modelling.

Capital Costs – Hard Costs	Assumptions	Notes
Row Townhouse with Unfinished Basement	\$235	Source: Altus Cost Guide 2025 - GTA – Middle of range
3 Storey Stacked Townhouse	\$250	
5 to 6 Storey Wood Framed Condo	\$288	
Apartment up to 12 storeys (per sq. ft)	\$340	
Apartment 13 to 39 storeys (per sq. ft)	\$340	
Row Townhouse with Unfinished Basement	\$235	
Underground Parking (per sq. ft)	\$230	
Surface-Level Parking Construction (per sq. ft)	\$23	
Capital Cost Inflatior, per annum	6%	

Soft Costs

These tables shows key soft cost assumptions used in the financial modelling.

Capital Costs – Soft Costs	Assumptions	Notes
Professional Fees, Site Plan Reports, Legal, Marketing (including commission for real estate agents for rental units), Contingency	20%	of total capital costs (target percentage)
Real Estate Agent Sales Commission Fee	5.0%	of revenues on sale of condominiums
Lender's Administrative Fee (% of total capital costs)	0.75%	Based on recent projects (SHS Consulting)
Construction Loan Interest Rate	5.0%	Based on recent projects (SHS Consulting)
Take-Out Loan (Rental Scenarios)	5.0%	Based on recent projects (SHS Consulting)

Other Costs

These tables shows other financial assumptions used in the modelling.

Financial Assumptions	Assumptions	Notes
HST Rate	13%	
Profit Margin	15%	of total revenues
Discount Rate	7.3%	Current commercial mortgage rate
Capitalization Rate (Applicable to Rental Units)	4.38%	Mid-range of new construction multi-family cap rate range in Q1 2025 CBRE Cap Rate Report
Construction Period	*Variable	Construction period varies depending on the size of building
Construction Financing	75%	of construction costs