

ADMINISTRATIVE REPORT

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| TO: Shane Bourke, City Manager | DATE: March 24, 2025 |
| FROM: Danielle Whiteway, Chief Financial Officer | MEETING: City Council |
| REPORT WRITER: Rory Tarant, Interim Director, Invest Grande Prairie | |
| SUBJECT: Large Multi-Family Development Grant | |

RECOMMENDATIONS

That Council approve amendments to Policy 357 – Development Incentive Grants, as presented with the inclusion of a program to rebate property taxes during the construction of large multi-family developments.

PREVIOUS COUNCIL / COMMITTEE DIRECTIONS

At the March 10, 2025 City Council meeting, the following motion was passed:
 That Council direct Administration to bring back a report with options for taxation on buildings with 100 units or more while they are under construction, and that any permits in the queue as of Mar. 1, 2025, will be subject to any of these potential new options.

BACKGROUND

In June 2021, Council approved the creation of the Development Incentives and Grants (DIG) Program in order to stimulate construction activity in the city. Since its creation, Council has adapted the program to respond to changing development needs. DIG is regularly assessed for community alignment and effectiveness.

ANALYSIS

In the past two years, the City’s rental vacancy rate has dropped to the lowest levels seen in the past ten years and now hovers around 2% (see chart below). This has created housing challenges for the community with limited rental housing availability. While there has been a noticeable increase in year over year housing starts, the community has not seen significant investment in larger, rental apartments which would address the greatest housing gaps in the community. One of the greatest challenges for having these types of housing units built is that residential building costs have risen 70-80% in the past five years, far outstripping rates of inflation.

To address the cost barriers, various orders of government have implemented programs to support and incentivize the building of purpose-built rental units. See the table below which identifies the supports available to proponents building market-rent apartments in Grande Prairie:

| Program | Description |
|--|---|
| GST/HST rebate for purpose-built rental housing (PBRH) | The Government of Canada provides a 100% rebate of the Goods and Services Tax (GST) on new purpose-built rental housing (PBRH). Eligibility includes: the residential units must form part of a multiple unit residential complex that has at least 4 residential units, each containing private kitchen facilities, a private bath and a private living area. This rebate would be equivalent to \$800K to \$1M for a 100-unit apartment. |
| Apartment Construction Loan Program | Offered through the Canadian Mortgage and Housing Corporation (CMHC), it offers favourable financial terms to builders with lower interest rates than can typically be obtained through private markets, greater flexibility with loan structures and longer amortization periods. Eligibility includes: At least 5 rental units, a loan size of at least \$1 million, and must respond to a need for rental supply. |
| Aqualera Infrastructure Charge Waiver | Aqualera implemented a two-year relief on infrastructure charges for connection to Aqualera’s infrastructure for new construction of multifamily developments. Multifamily residence applications received until December 31, 2025 will qualify for the program. Eligibility includes: apartment buildings, duplexes, multi and semi-attached dwellings, residential condominiums, and secondary suites. The waiver for a 100-unit apartment building would equate to approx. \$170K. |
| City of Grande Prairie Municipal Fee Rebate | Provides a full rebate of development and building permit fees upon occupancy. Rebate would be equivalent to \$250K - \$300K for a 100-unit apartment. |

At the Mar. 10, 2025 Council meeting, Council expressed a desire to provide further support for the building of apartment buildings with 100 or more units in the form of a tax reduction during construction. On January 1, 2025 provincial legislation came into effect which allows municipalities to offer tax exemptions on residential properties which now enables the City to entertain implementing this kind of program. For context, in 2025 a 100-unit apartment building would be levied approx. \$200K in annual municipal property taxes.

Administration has explored options for the development of a program and is recommending the following parameters be established under Policy 357 for the development of a Large Multi-family Development Grant:

1. Grant Program

It is recommended that Council adopt a grant program similar to what was developed with the New Business Development and Business Retention & Expansion Grants. Grant programs give the City more flexibility in their design and given templates for these programs exist, it could implement much sooner. Under a grant program, the property owner would still pay annual municipal property taxes, but then would receive an annual grant which would be equivalent to the agreed upon proportion of their yearly property taxes as per the conditions of the program. Under the new

legislation, it is possible to offer a straight tax exemption as opposed to a grant program, however, there would be further legal review warranted which would extend implementation timelines.

2. Length of Large Multi-family Development Grant

It is recommended that the grant program extend from issuance of the building permit to either building occupancy or a two-year period, whichever comes first. The two-year maximum is recommended to encourage quicker building times and prevent applicants from delaying project.

3. Amount of Large Multi-family Development Grant

It is recommended that taxes be granted back to applicant at 100% of the new municipal taxes paid for the prescribed period. It is recommended that a cap of \$500K be placed on the program and that it be funded through general tax.

4. Size of Apartment

As per Council's motion, it is recommended that the grant would only be available to projects with 100 or more units. 100 units is determined to be of the appropriate size and scale to have a meaningful impact on the City's housing supply and thus warrant the additional support.

5. Grant Stacking

It is recommended that an applicant would be permitted to apply for both the Municipal Fee Rebate and the Large Multi-family Development Grant. However, if a builder has received another incentive from the City (such as land at reduced or no cost), it is recommended that the applicant be ineligible for grant stacking.

6. Program End Date

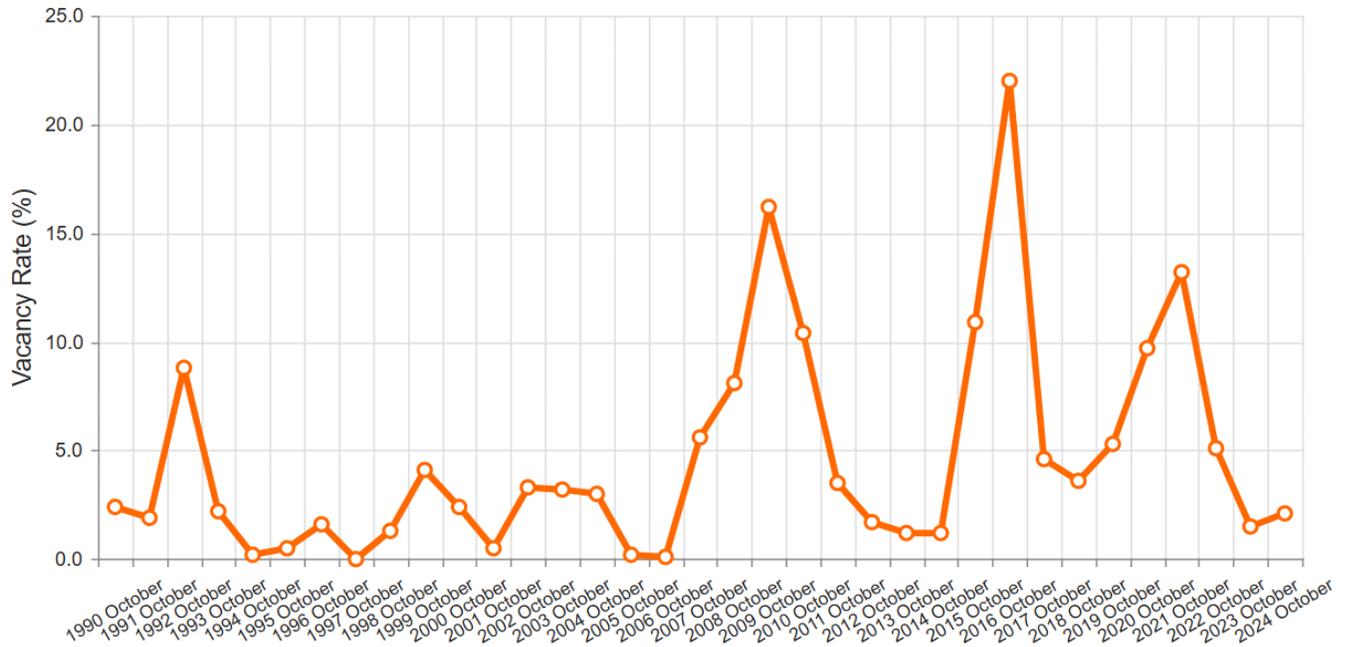
It is recommended that the Large Multi-family Development Grant have a program end date of Dec. 31, 2025 in alignment with other similar DIG programs.

Municipal Fee Rebate Program Change

In addition to the Large Multi-family Development Grant program, administration also explored another opportunity for further support for the building of 100+ unit apartments.

The Municipal Fee Rebate program was established to provide a rebate on fees once occupancy was achieved. For smaller projects, this typically means that fees are returned within a year. For larger multi-year projects, rebates may not be paid out for 2-3 years under the current procedure. There is an opportunity to rebate a portion of the fees sooner. It is recommended that 50% of municipal fees be rebated upon a successful framing inspection. This change would come at no additional cost to the City and would help builders with project cash flow.

City of Grande Prairie Rental Vacancy Rates 1990-2024



Relationship to City Council's Areas of Focus / Strategic Priorities

Aligns with Council's Innovative Efficiencies & Economic Readiness strategic priority - Developing and executing actions that foster a strong and resilient local economy.

Environmental Impact

Encouraging the development of more compact, multi-family housing reduces the amount of infrastructure required per resident which in turn reduces the environmental impact.

Economic Impact

A grant program could incentive the building of new housing units which are needed in Grande Prairie. Greater availability of housing assists in growing the City's workforce capacity.

Social Impact

Increasing the number of units available for rent/purchase in the community would help address housing supply challenges ensuring more families are able to find housing.

Relevant Statutes / Master Plans / City Documents

No relevant statutes.

Risk

Risk of defaulting on an approved project will be mitigated by the development of funding agreements which will ensure program conditions are being met.

Alternatives

Length of Large Multi-family Development Grant

- a. From building permit until occupancy – no maximum time period specified.
- b. From building permit until specified term (ie. 2 years from building permit approval)

- c. From building permit until one year after occupancy. This could be modeled after CHMC’s Construction Loan program which has special financing terms during the “course of construction” which does not end until a project has reached “stabilization”, which is defined as one year after occupancy.

Amount of Large Multi-family Development Grant

- a. Grant program could be structured so that the value of the grant reduces as a percentage of total municipal taxes paid each year (ie. Year one -100%, Year two - 75%, etc.)
- b. Alternative funding from Financial Stabilization Reserve

STAKEHOLDER ENGAGEMENT

Internal City departments were consulted on the implementation of the recommended program. The Economic Development Advisory Council was provided an opportunity to have input on further incentives for multi-family development.

BUDGET / FINANCIAL IMPLICATIONS

If the program is fully subscribed, up to \$500K will be granted to eligible applicants. The amount granted back to applicants will be offset by tax revenue derived from the projects.

SUMMARY / CONCLUSION

In response to Council’s request to explore options for the development of a tax exemption program, Administration is recommending that a Large Multi-family Development Grant program be created to help further incentivize these development types.

ATTACHMENTS

- Policy 357 – Draft
- Policy 357 – Marked Up
- Procedure 357-2 – Draft
- Procedure 357-2 – Marked Up