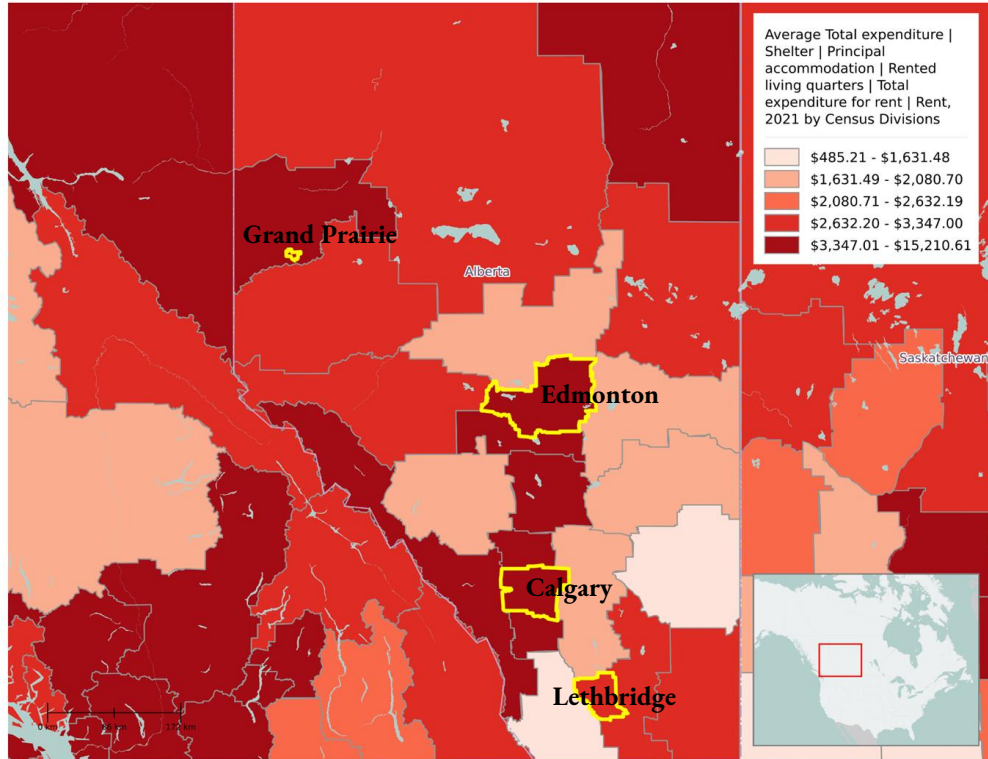


The Municipalities in Focus



Definition of Affordable Housing

Near-Market Affordable Housing: The average rent for the building must be no more than 90% of the average market rent

Subsidized Housing: 30% of gross income with minimum rents in place

Incentive Program

The City of Calgary's Housing Incentive Program (HIP)

- A grant of up to \$50,000 towards pre-development
- A rebate on eligible City development fees

Length of Affordable Housing

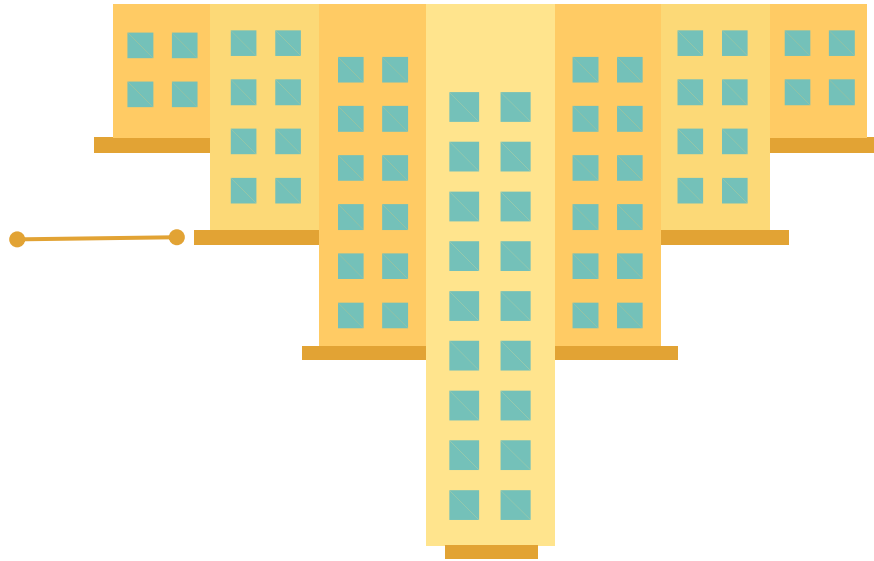
- Affordable rental units must be operated as affordable for at least 20 years



Definition of Affordable Housing

Near-Market Affordable Housing: rent that is 10-20 % below current market rental rates.

Subsidized Housing: Housing costs should not exceed 30% of a household's annual income.



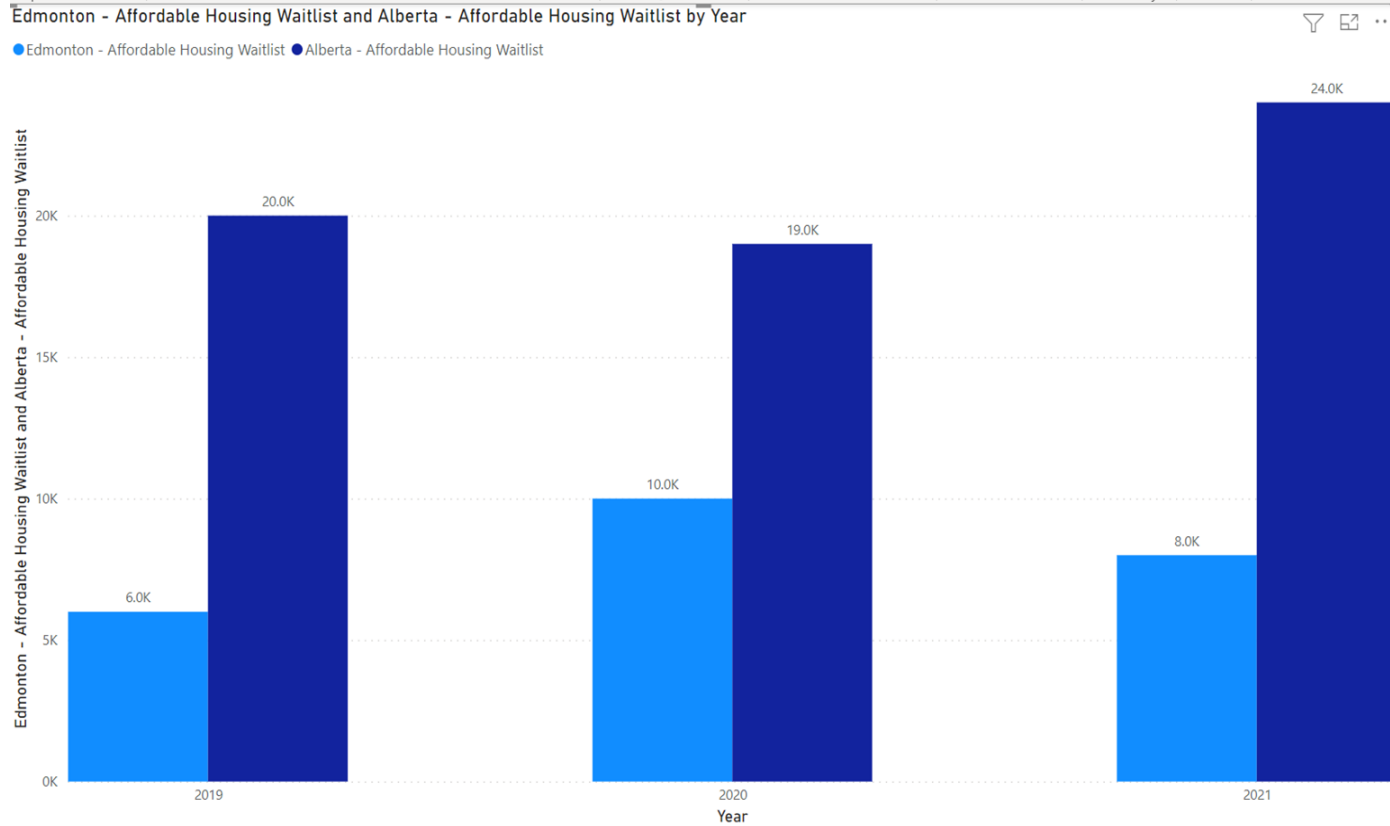
Incentive Programs

1. *Affordable Housing Investment Program*
 - Funding of up to 25% of total construction cost of the affordable housing component of the project
1. *Housing Redevelopment Grant*
 - The City will provide up to 40% of capital costs for the redevelopment of up to five problem properties
 - Applicants must be a NPO

Edmonton Market - Demand for Affordable Housing

High Demand

Strong demand for Affordable Housing both in the provincial level and the municipal level, demonstrated by strong persistence in Affordable Housing waitlists in past years



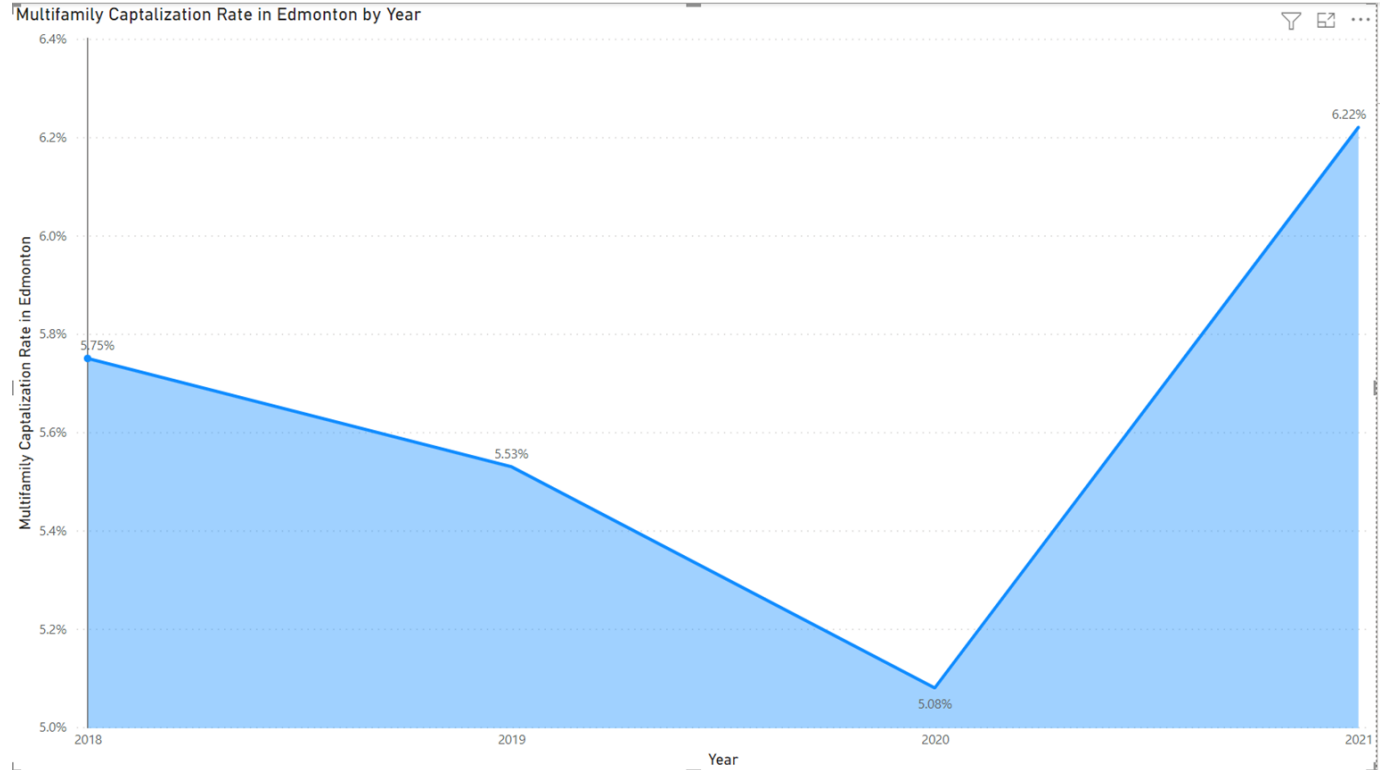
Edmonton Market - Capitalization Rate

Steady Capitalization Rates

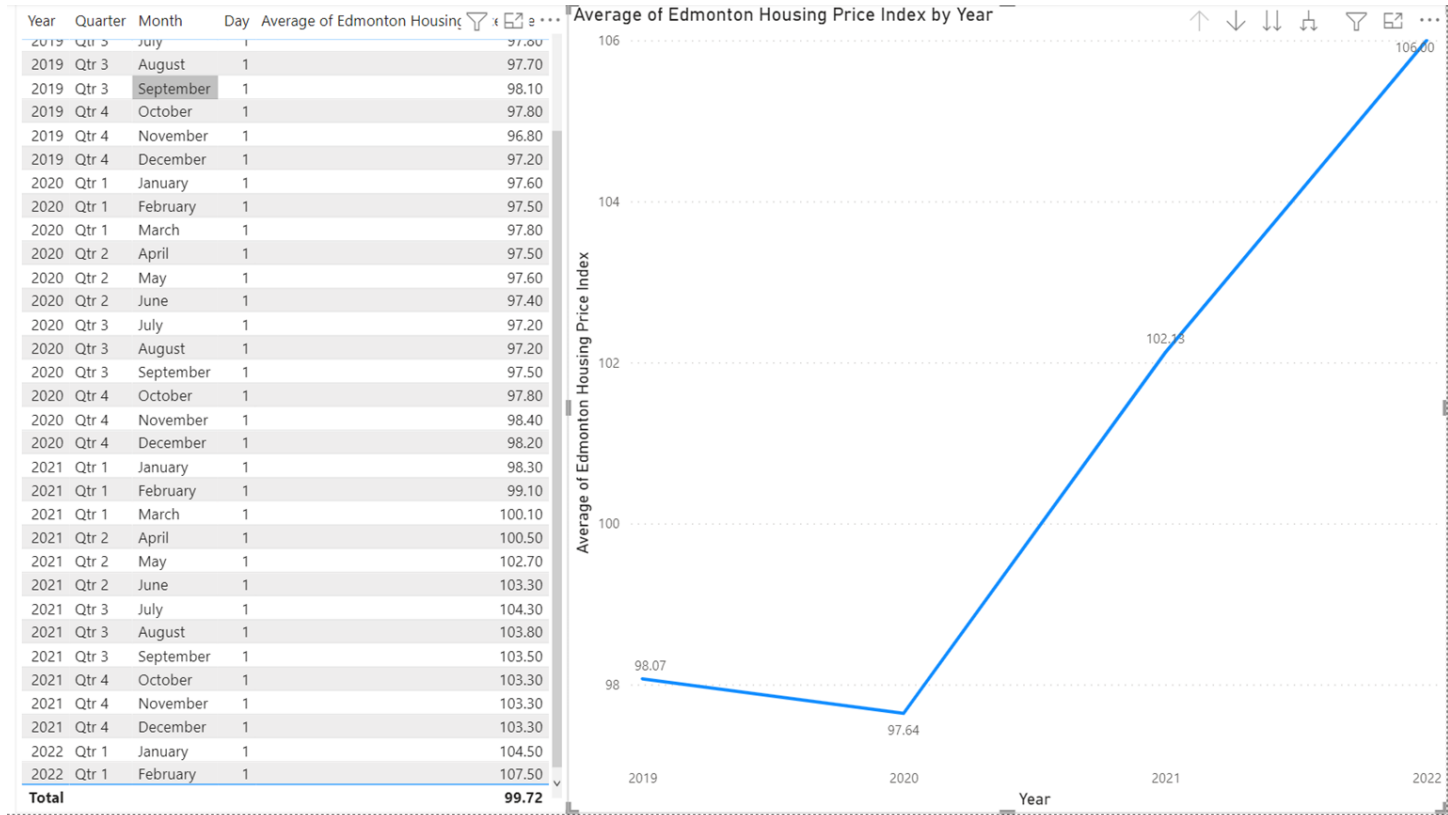
The capitalization rates of Edmonton's multifamily market has been very steady in the past years.

Competitive Benchmarking Result

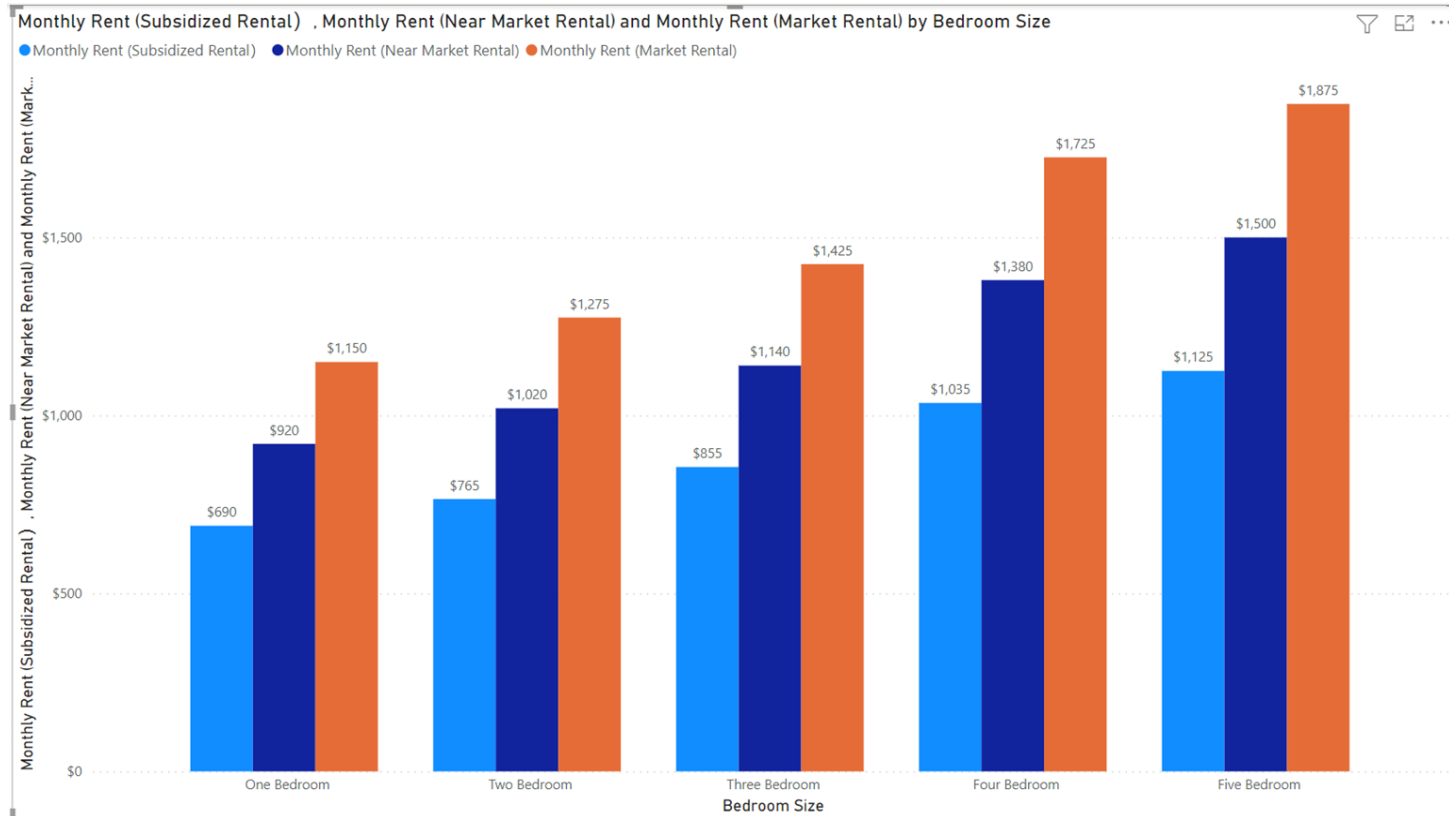
Per a CBRE Report, the trend of decreasing Capitalization Rates in Vancouver & Toronto in recent years has made Edmonton's steady capitalization rates even more appealing.



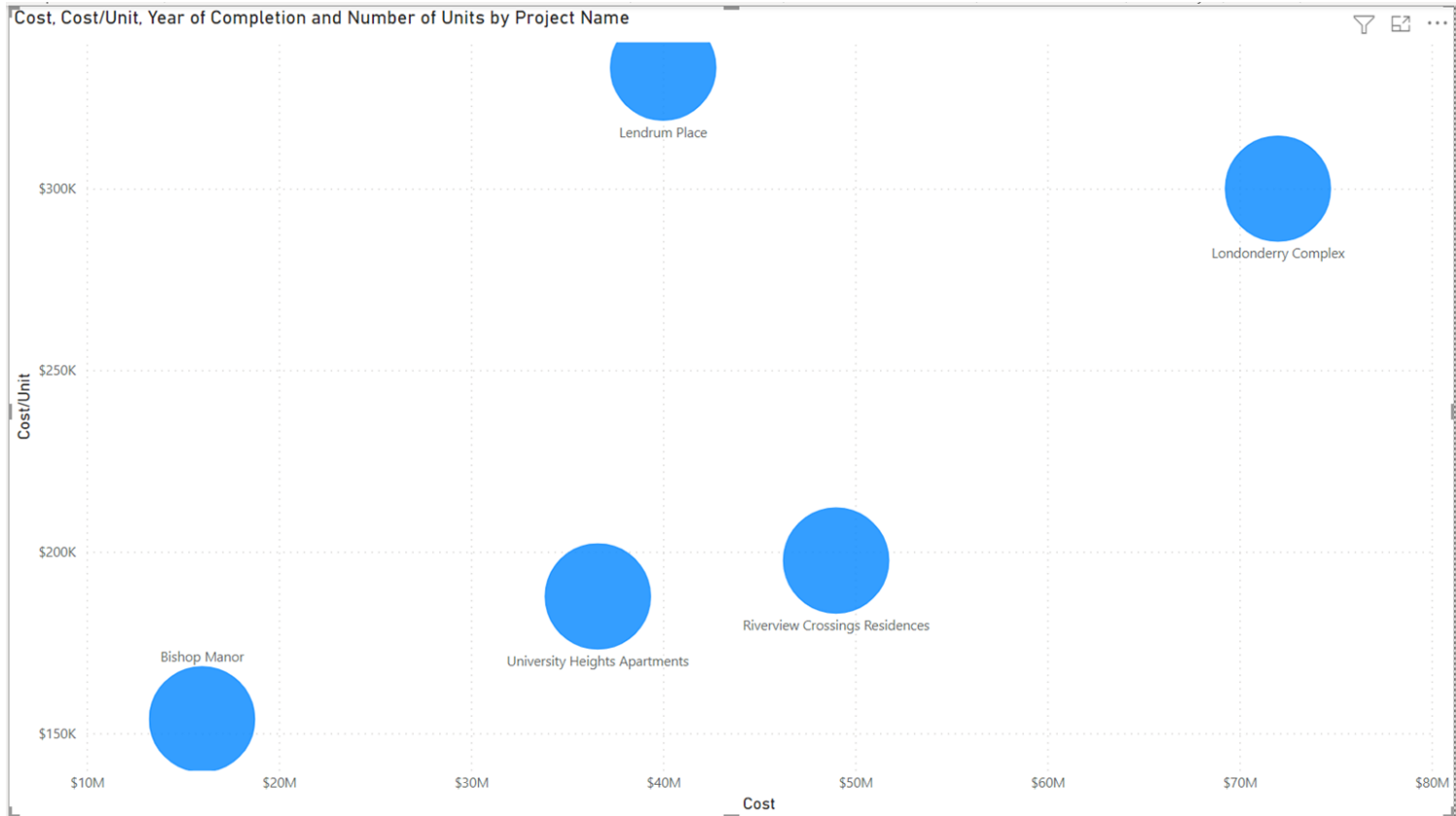
Edmonton Market - Housing Price Index



Edmonton Market - Monthly Rent Data of a A Recent Notable Affordable Housing Project



Costs of Recent Affordable Housing Projects in Alberta

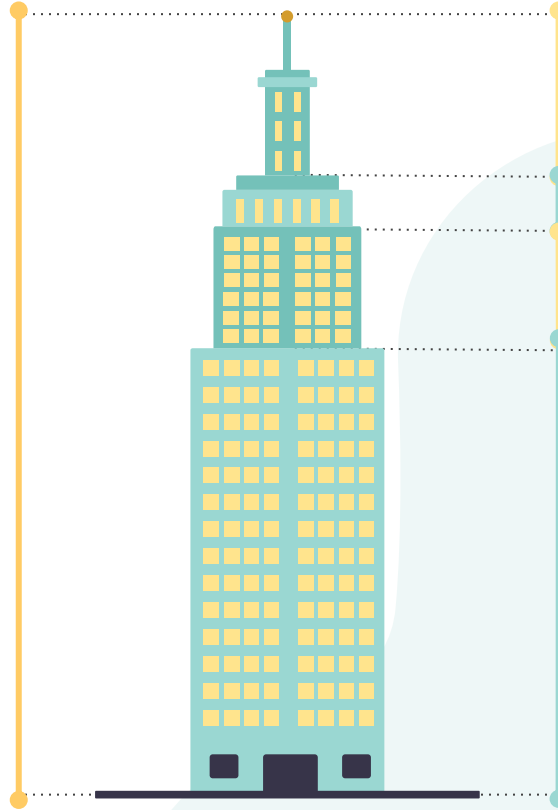


Incentive Programs

- Currently engaging with industry to design initiative programs
- The public is not happy with the city's affordable housing strategy.

Future Prospect

- Approximately 20% of households are in housing that is not affordable for them.
- Released a draft of its ten-year affordable housing strategy in 2019.
- Future development of 359 new affordable housing units & the creation of a municipal housing corporation.



Definition of Affordable Housing

- Near-Market Affordable Housing: rent that is 20 % below current market rental rates.
- Subsidized Housing: Housing costs should not exceed 30% of a household's annual income.

Table 1: Affordable Housing Inventory

Units by Size	Number of Units	Percentage of Units
Room	16	2.1%
Bachelor/Studio	364	47.5%
1 Bedroom	166	21.7%
2 Bedroom	141	18.4%
3 Bedroom	44	5.7%
4+ Bedroom	3	0.4%
Number of Bedrooms Data Missing (Houses)	32	4.2%
Total	766	100%
Specialized Housing Units		
Accessible	57	7.4%
Seniors	374	48.8%

Table 2: New Affordable Unit Targets

	Level of Service	Required New Units
Total		359
Individuals Living Alone (Room, bachelor, or 1-bedroom)		0
Households with Children (2 or more bedrooms)	37%	166
Household Composition Unknown		193
Specialized Housing		
Accessible	57%	20
Seniors	65%	127

Definition of the affordable housing suits the need of low- and moderate-income households

- low incomes: first to third income deciles: $\leq \$49991$
- moderate: four to sixth income deciles: 49992-93819

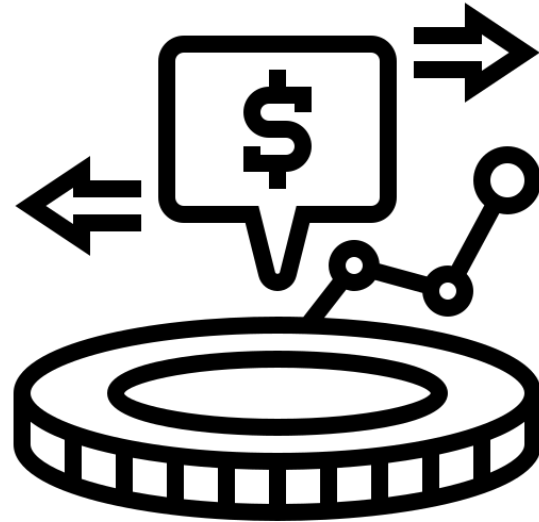
Regulations

- must remain as affordable housing for a minimum of 20 years from the date of the last occupancy permit
- must contribute a minimum funding commitment of 25% of the total project costs

Incentives

- grant funding is limited to the maximum of 75% of the total project costs; the actual amounts determined at the sole discretion of the City of the Lethbridge Administration
 - a. 30% - execution of funding agreement
 - b. 30% - approval of a development permit for the project
 - c. 40% - upon receipt of an occupancy permit.

05 Financial Justification



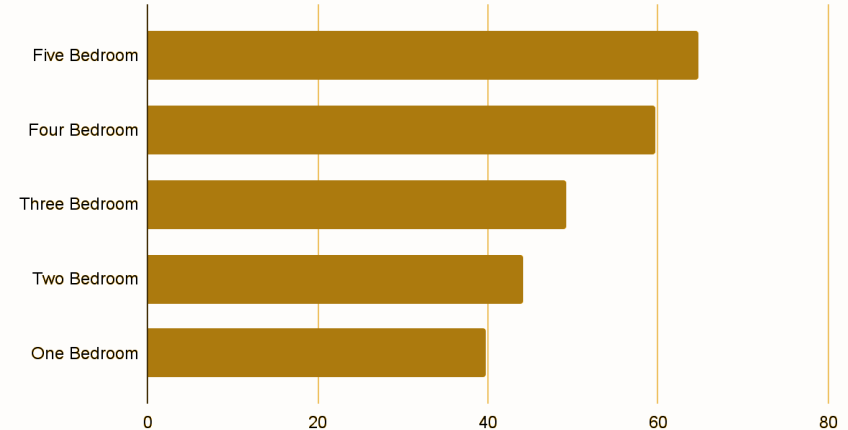
Project Cost and revenue

Taking Londonderry as an example, a 240-unit housing that contains one- to five-bedroom suites costing a total of \$87.3 million.

- Assuming government capitalizing 25% of cost:
 $\$87.3\text{M} \times 25\% = \$2,1825,000$
- Assuming that each type of suites is equally distributed, and the rental rate is 10%-20% less the normal market rate.
- Assuming each of the subsidized market rental rate are as followed:
 - One-bedroom \$690
 - Two-bedroom \$765
 - Three-bedroom \$855
 - Four-bedroom \$1,035
 - Five-bedroom \$1,125

Annual Rental Income

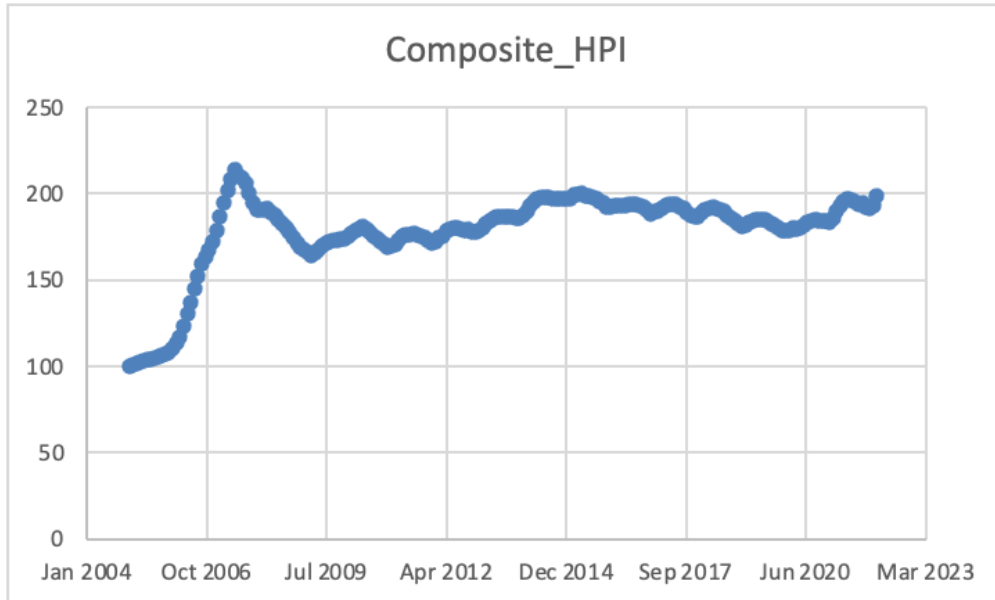
(in 0,000)



Annual gross income: \$2,574,720.

Housing Price Index

It is important to understand the trend of house price through the examination of past five years to better predict the market growth in the future.



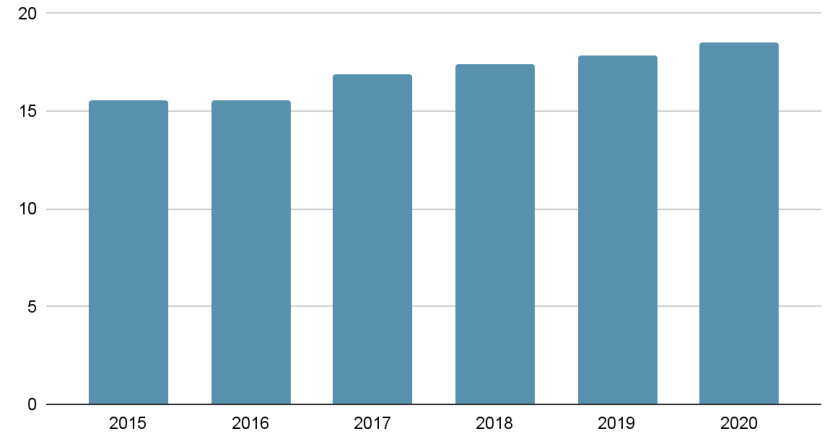
According to MLS® Home Price Index, the market is constantly growing in a steady rate:

- In comparison between 2021 and 2022, there's a 7.7% increase in the home price.
- Indicating a healthy economy environment.
- More jobs and housing is created, and consumer is optimistic to the future.

Property Tax Rate

By home ownership, it is the owner's obligation to pay property tax based on his or hers annual income and the market value of the land they resided on. But if RioCan is partnering with non-for-profit organization, they will get tax exemption from the government.

Non Residential Tax Rate (2015-2020)



Capitalization Rate:

Indicating the **approximate return** that investor will gain from investing a rental properties. According to Investopedia, the cap rate also represent the length that the project will takes to recover the initial investment.

- Assume the cap rate for the project is 5.64%
- The investment will become profitable approximately after 6 years.

Indication

- According to FortuneBuilder, a good cap rate is between 4% to 10%.
- To determine a safe cap rate, you should decide how much risk you would like to bear.

Considerations

- Cap rate is not a good ratio in assessing the expected return on an investment.
- It should be used when supplemental information is accessible.
- ROI will provide a more concrete numbers for the return.
- It is better to use cap rate when comparing two different types of rental properties.



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