

February 2020 Update

This is the 3rd update on Affirmative Ventures' affordable housing project being planned on Main Street in Dartmouth. To help illustrate the challenges in building affordable housing, cost impacts are shown below with a (\$) . To receive David Harrison's occasional blog on housing and planning matters, please register [here](#).

What's Affordable?

The answer to that question depends on your household income. For housing to be considered affordable, the typical test is that it must cost less than 30% of household pre-tax income including the housing and related costs. In Dartmouth East, median household income was \$84,398 in 2016; so housing is affordable for many households, especially for two income households.

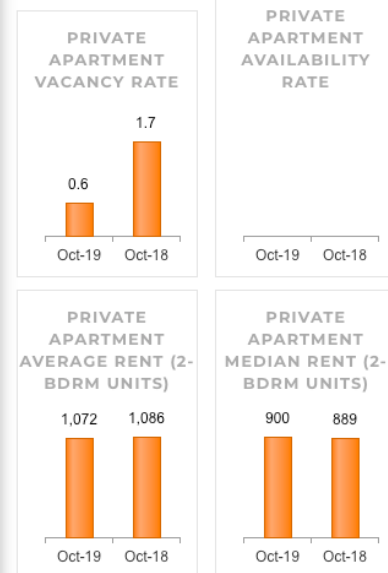
However, Dartmouth East's vacancy rate has dropped from 2.3% in 2016 to 0.6% in 2019. There are almost no apartments available, placing upward pressures on rents.

A 3rd party (\$) has determined that the market rent for apartments in the Main St. area is \$950 (1 BDRM). This number will be used to determine a total rental income against which housing programs and operating costs can be reviewed. In our first round of project costing, there is a significant gap between expected revenues and expenses. There are some ways to reduce this gap and they are being actively considered.

Government housing programs are based on different financial criteria. CMHC's RCF program stipulates that the total residential rental income must be at least 10% below gross achievable residential rental income. CMHC's Co-Investment Fund sets rents at \$535 (1 BDRM) in Dartmouth East. That rent level is certainly more affordable, but it renders the building unsustainable, so this financing option is not being pursued.

The Dartmouth East vacancy rate has dropped from 2.3% to 0.6% in 3 years. When housing supply is restricted, prices (i.e. rents) rise.

Primary Rental Market



Source: CMHC

Halifax Water Fees and the HST

Since Affirmative House opened in 2007, local permit fees have skyrocketed by 1,565%. Halifax Water fees represent 94% of this total. HRM allows its building permit fee to be waived; and with thanks to District 6 Councillor Tony Mancini, HRM plans on waiving more fees for non-profit housing providers in 2020.

Halifax Water fees (\$) are estimated to be \$224K for this housing project. Under the Public Utilities Act they cannot be waived or reduced. Thanks to Dartmouth East MLA Tim Halman for his efforts in trying to amend the Public Utilities Act to support affordable housing in HRM.

Non-profit groups remit HST and are eligible for a 50% rebate. For the Main Street Centre, this means that a net 7.5% has to be added to all project costs.

Together, Halifax Water fees and the HST represent a \$1 million cost impact (\$) for 45 units of affordable housing. Without any relief, these costs will be capitalized and will be paid by tenants through their rents.

Halifax Water has applied to the Utility and Review Board to increase its wastewater charges by 21% and its water connection charges by 890%.

An obscure clause in the Canada Revenue Agency Act is being explored, where affordable housing projects may be eligible for municipal rebate rates. This raises some longer-term questions, but may help reduce the impact of the HST on the project and help keep rents as affordable as possible.

A Landscaping Plan For the Site Has Been Completed

