

Perspectives on City of Regina

Capital Grant Program

Helping Regina Families make
a better life for themselves



Housing Incentives Policy

- The purpose of the program is to support affordable housing options for families in Regina
- To break the cycle of renting allowing families to own a home which would be otherwise out of reach
- Enhance the entire housing continuum in Regina

Home Ownership is a preference

Is there anything more reflective of who we are as Canadians than the dream of owning a homeand the ability to make that dream a reality?

- *“Between 2011 and 2016 nearly 753,000 new households were formed. About 396,000 of those were rentals, which now account for 32 percent of the country’s homes, according to data from the 2018 Canadian Rental Housing Index” – May 8, 2018 Globe and Mail*
- *“Canadian Home Ownership fell from 68.9% to 67.8%, the first drop since 1971” – CMHC*
- *“despite record unaffordability, 84% of Canadian Millennials still dream of owning a home.” – BuzzBuzzNews Canada*
- *“Homeownership remains a coveted goal for many Canadians. However achieving this perceived life milestone remains as challenging as ever in 2018.” - Zoocasa’s 2018 Housing Trends Report.*
- *“The dream of home ownership is slipping away for an entire generation of young people.” – Nanos Research*

Decima Research/Earnscliffe Strategy

April 2018



“Canadians clearly equate access to home ownership with being in the middle class, so housing affordability is a top concern.” – Allan Gregg

- **3 out of 4 think when you are middle class you should be able to own a home, but 80% believe that becoming a home owner is more difficult than it used to be.**
- **4 out 5 renters want to own a home vs renting, yet ½ of current renters feel they will never be able to own a home.**
- **Startling, 76% of Canadians think that the way things are headed, only the rich will be able to own a home in an area they want to live.**
- **80% are concerned that those who can't get into homeownership will face challenges in retirement**

Decima Research/Earnscliffe Strategy

April 2018

- **81% see the challenges now facing those who wish to become homeowners as a potential failing in Canada's current socio-economic system**
- **2 out of 3 Canadians think governments have an important role to play in helping Canadians become homeowners.....**
- **Meanwhile, only 1 in 10 Canadians think that the government is doing a good job on this file.**
- **Of particular interest is how Canadians rated Municipal Gov't in this area**
 - **1% Excellent**
 - **11% Good**
 - **31% Fair**
 - **42% Poor**
 - **15% Don't Care**

Why does Home Ownership matter in Regina?

- Builds Equity
- Creates a stable and safe environment
- Provides citizens with greater ability to choose where they live
- Pride of Ownership
- Numerous studies demonstrate Home Ownership boosts
 - Educational performance of children
 - Induces higher participation in civic and volunteering activities
 - Improves healthcare outcomes
 - Lowers crime rates
 - Lessens welfare dependency
 - Creates sense of belonging in the community and a financial stake in neighborhood
 - Adds stickiness to stay in the community

“Any meaningful effort to foster greater socioeconomic and racial/ethnic integration has to consider means of creating entry paths into higher-opportunity communities through homeownership” – Harvard Joint Center for Housing Studies

Given such an opportunity, public policy makers should consider the immense social benefits for citizens and the community

The OCP & CHS supports these principles

Housing Continuum

The Comprehensive Housing Strategy studied the housing needs and issues along the full continuum of housing, from homelessness to homeownership.

Duration	Non-Market Housing				Market Housing			
	Temporary Accommodation		Permanent Accommodation					
	Shelter Spaces	Transitional Housing	Supportive Housing	Non-Market Affordable* Rental	Market Affordable Rental	Market Affordable Ownership	Rental	Ownership
Description	Emergency Shelter	Short-term accommodation for people in transition	Congregate or independent living	Subsidized housing costs	No subsidies but incentives to build or purchase provided		No subsidies or incentives provided	

"Made in Regina" definitions of the terms *Affordable Housing* and *Attainable Housing* were developed as part of the Strategy:

Affordable Ownership Housing

Affordable ownership housing is housing that is affordable to households within Saskatchewan Housing Corporation's Maximum Income Limit, where affordable means spending less than 30% of the household's income on housing. In 2012 the Maximum Income Limit was \$66,500. A household with an income of \$66,500 could afford an ownership unit with an approximate price of \$255,000.¹

Affordable Rental Housing

Affordable rental housing is housing with rents at or below average market rent. In 2012 the average market rent was \$897.

Attainable Housing

The term attainable housing refers to a situation where households at various income levels can find and secure (attain) suitable, adequate, and affordable housing, and can move on to other options. The definition recognizes the housing needs of the full range of income groups and households. Implicit in this usage of attainability is the idea that a range of housing options (type, accessibility levels, size, tenure, cost) exists in the local market.

Other terms used in the Strategy have been defined in the Glossary in the back of this document.

¹ Assumes 30% of the household's income is spent on housing, 10% down payment, 5.06% interest rate, 25 year amortization, and annual property taxes of 1.5% of the house value.

"A siloed way of addressing these issues is not working—we need a collaborative approach"

Stakeholder Consultation Group Member

All levels of government must work collaboratively with non-profit organizations, the private sector, and the community at large to address Regina's housing needs.

The majority of housing activities already take place in the private sector. The City intends to support and encourage the involvement of Regina's development and homebuilding industry in developing innovative solutions and meeting Regina's housing needs.

While the needs are considerable, the resources available to address needs are not, especially at the municipal level. It is critical that available resources be leveraged to maximize benefits, to address issues and demonstrate value for money.

The City currently allocates \$2 million annually for housing. These contributions can be reallocated to better target the primary issue of the lack of rental and affordable housing. The City is committed to using the social development reserve fund to fund the housing programs

as intended. It is also recommended that a share of the revenue from development of City-owned land be dedicated to housing initiatives.

While it is suggested that existing resources be used to increase the supply of rental and affordable housing, additional resources may be required to adequately implement certain recommendations.

A number of the recommended strategies call for improving the regulatory environment to reduce barriers and encourage the supply of affordable, rental, and special needs housing. The City is currently in the process of preparing a new Official Community Plan. It is a four-year, multi-phase process, in which the Plan is expected to be adopted at the end of 2013. Many of the policy initiatives recommended in the Comprehensive Housing Strategy can be adopted as part of this process. However, because of the pressing housing issues in Regina, it is recommended the City immediately take action on a number of policies and initiatives to put Regina on the path of addressing its housing issues sooner.

"The City intends to support and encourage the involvement of Regina's development and homebuilding industry in developing innovative solutions and meeting Regina's housing needs"

"The City currently allocates \$2 million annually for housing. These contributions can be reallocated to better target the primary issue of the lack of rental and affordable housing"

"It is also recommended that a share of the revenue from development of City-owned land be dedicated to housing initiatives"

The OCP & CHS supports these principles

Goals and Strategies

The City of Regina, in consultation with community stakeholders, has identified five goals to respond to the housing issues; one for each of the key issues identified above. Like many partners, the City has a key role to play in achieving these goals. The following outlines the strategies the City intends to use to realize these goals. **Given that the supply of rental and affordable housing is a critical issue in Regina**, it is important that the City makes rapid progress in addressing this issue. As such, a number of strategies have been identified as "Quick Wins". These are strategies that can be initiated shortly and implemented quickly to realize benefits in the short term. Other strategies that should be initiated as having a "Year 1 Start". The strategies that should be implemented through the Official Community Plan review process have been identified as "OCP Policy". The remaining strategies are those that would be initiated and implemented in the medium term, and these have been identified as "Years 2-5 Start".

Goal #1- Increase the Supply of Rental and Affordable Housing

Rental housing, and affordable rental housing in particular, is an important component of the housing continuum. It is a component where there is currently a critical need. The following strategies are aimed at increasing the supply of rental housing generally and affordable rental and ownership housing:

1. Refine current property tax and capital incentives to target the issue of insufficient supply of rental and affordable housing

Tax Incentives

- Discontinue incentives for owner-occupied units that are not affordable
- Put a maximum rent limit of 150% of average market rents on the rental tax incentives
- Provide a 100% tax exemption for 5 years on new/additional rooming house beds/single room occupancies
- Provide a tax exemption on new/additional secondary suites in built-up areas equivalent to the approximate value of the incremental increase in property tax resulting from the secondary suite
- Provide a tax exemption on affordable rental units

Year 1 Start

2. Leverage the City's land assets to increase the supply of rental, affordable and special needs housing, promote the diversity of housing, and support the creation of complete neighbourhoods

- Dedicate a portion of the increase in value/proceeds of any sales from City owned lands (such as the South East lands purchased from Saskatchewan Housing Corporation and CP lands, etc.) to addressing the issue of rental and affordable housing supply
- Continue to provide a portion of City owned lands at discounted prices to be used toward the creation of affordable housing, particularly rental housing
- Consider placing restrictive covenants on a portion of City owned lands so that the resale value of ownership housing is restricted to support long-term affordability
- Work with the development industry to use a portion of South East lands and CP lands to pilot innovative housing forms
- When planning the land use of the South East lands and CP lands, develop plans that incorporate:
 - These properties serving as demonstrations of effective density, mixed housing forms and price ranges, and innovative housing forms
 - The use of alternative development standards so that the housing developed on these lands can inherently support affordable housing
- Revise the City's Real Property Acquisition & Disposal Policy to formalize contributions of land to affordable housing and establish affordable housing as the first consideration for surplus residential lots or land capable of being used for residential.

Dedicate a portion of the increase in value/proceeds of any sales from City owned lands (such as the South East lands purchased from Saskatchewan Housing Corporation and CP lands, etc.) to addressing the issue of rental and affordable housing supply

“A recent article by Canadian Mortgage and Housing Corporation found that homeowners made nearly twice as much as renters in Canada in 2016. This trend could be seen in Regina where the real average before-income tax for owner households was \$118,600, compared to the real average before-tax income for renter households which was \$61,200, a difference of 52%”

- City of Regina Planning Department

Appendix A
Unaffordability Rates and Core Housing Need Comparisons – Select Canadian Cities and Provinces – 2016 Data

	Households Spending >30% of Income on Shelter	Total Number of Households	Unaffordability Rate	Core Housing Need	Renter	Owner
Canada	3,325,950	13,798,305	24.1%	12.7%	40%	16.6%
Saskatchewan	80,295	396,790	20.2%	13.4%	42.1%	12.1%
Regina CMA	20,920	94,395	22.2%	13.3%	45.9%	11.9%
Saskatoon CMA	26,790	114,285	23.4%	11.8%	44.7%	14.4%
Alberta	208,453	1,170,220	20.8%	11.4%	37.5%	15.3%
Edmonton CMA	108,775	496,585	21.9%	12.3%	37.7%	15.1%
Calgary CMA	112,765	515,800	21.9%	11.3%	36.6%	16.4%
Manitoba	88,010	461,870	19.1%	11.4%	36.9%	11.4%
Winnipeg CMA	64,065	304,815	21.0%	12.1%	39.5%	12%
British Columbia	512,210	1,832,420	28.0%	14.9%	43.3%	20.7%
Victoria CMA	45,565	159,765	28.5%	14.2%	44.3%	19%
Vancouver CMA	304,955	953,380	32.0%	17.6%	43.5%	25.4%
Ontario	1,411,900	5,106,290	27.7%	15.3%	45.7%	19.8%
Hamilton CMA	73,760	292,370	25.2%	13%	45.2%	16.8%
Kingston CMA	17,555	67,440	26.0%	14.2%	48.3%	14.2%

Source: Statistics Canada, Census of Canada 2016

This gap suggests that there is a need for programs like the Capital Grant Program to encourage homeownership for those families trapped in a life of rental

Figure No. 2: Regina has a higher renter unaffordability rate compared to other Canadian cities. Data from Statistics Canada, 2016 Census.

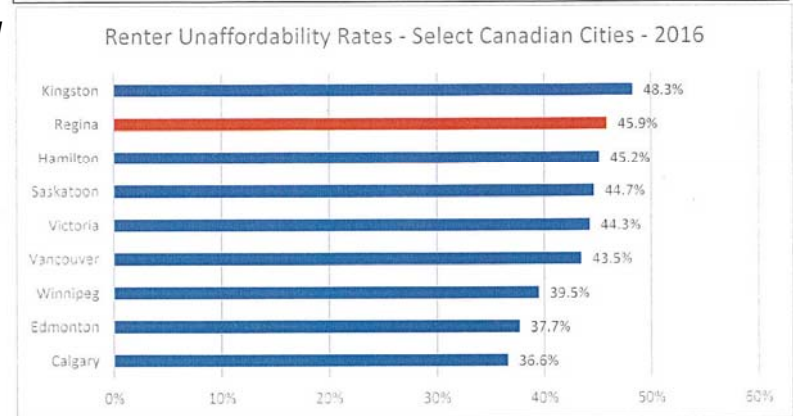
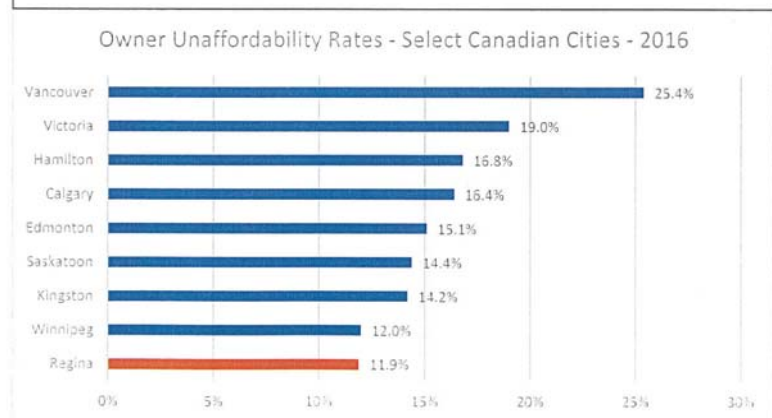


Figure No. 3: Regina has a low owner unaffordability rate compared to other Canadian cities. Data from Statistics Canada, 2016 Census.



Recent Changes to Program

2018 Changes

- The maximum number of home ownership grants decreased from 40 to 20 per year for profit organizations
- Minimum scorecard requirement to be eligible for the grant program increased from 30 to 40 (out of 100)

Rationale

- To provide priority funding for non-profit organizations
- Improve funding for affordable rental units by limiting the amount of ownership grants

Overview

- Amendments to the program have negatively impacted families who want to own a home rather than rent.
- Changing the score card criteria limited the housing options for families as very few builders/projects qualify for grant funding
- Reducing the number of grants for affordable housing will only provide a neutral impact to non-profit organizations.
- Maximum income levels are not reflective of the current market and new mortgage qualifying requirements

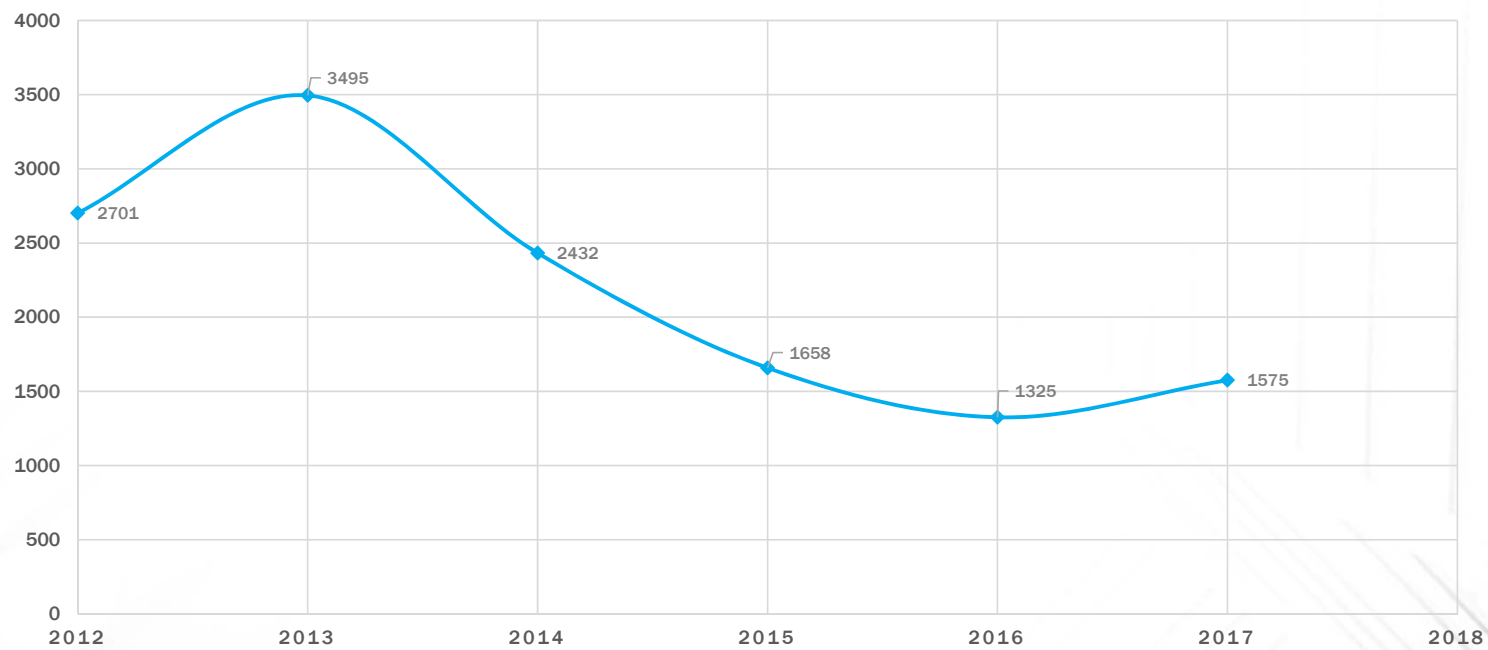
Example of Program 2014 to 2017

- RRHBA Builder member who has specialized in townhomes in Regina for 15 years
- They had 4 projects in Regina that previously qualified for the Capital Grant Program
- Since 2014 they have helped 49 deserving families realize the dream of home ownership because of the City of Regina program
- With the new 2018 policy changes none of these type of projects will qualify for the Capital Grant Program



Regina Market Conditions

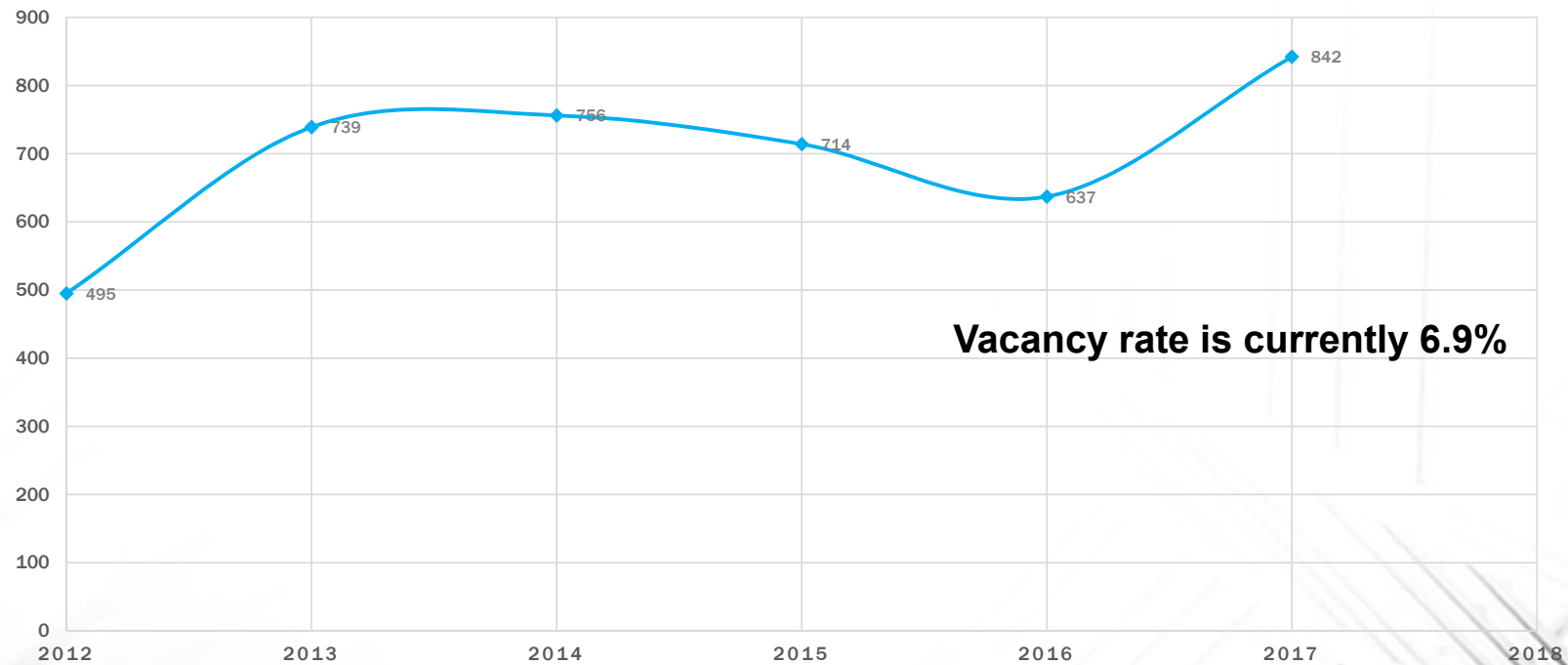
UNDER CONSTRUCTION INVENTORY IN REGINA



*Data from CMHC Portal

Regina Market Conditions

UNDER CONSTRUCTION RENTAL INVENTORY

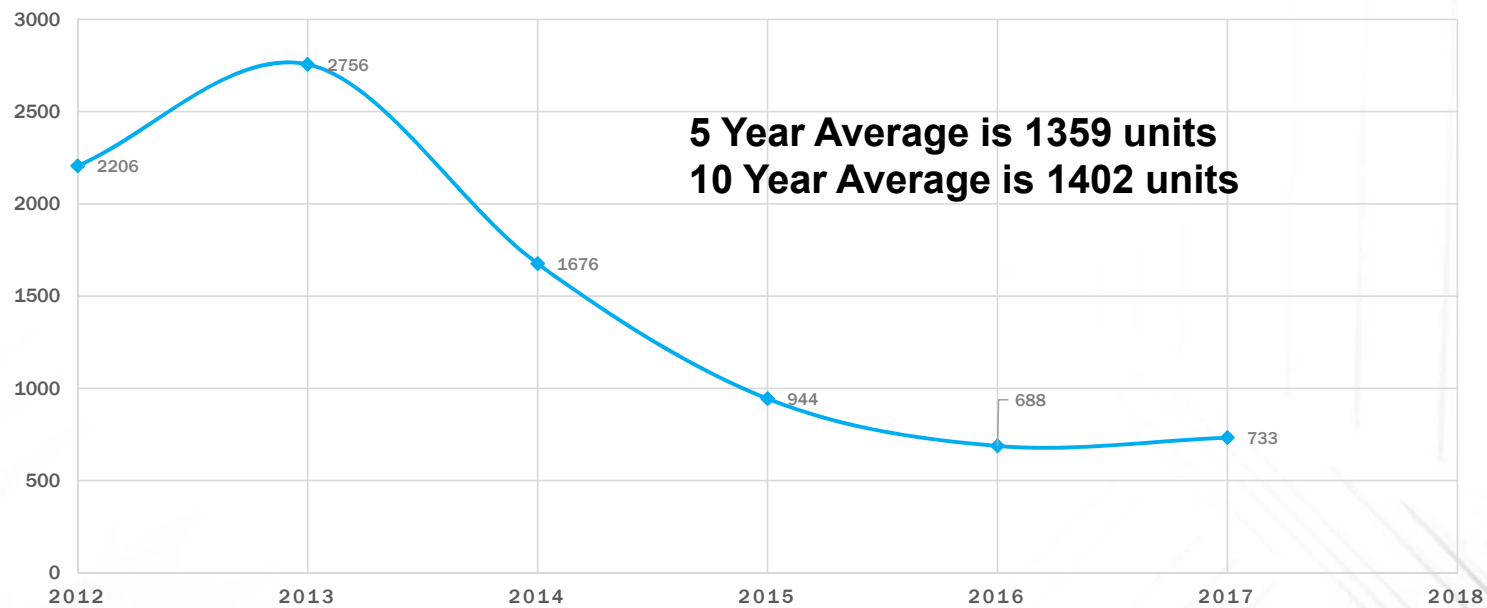


Vacancy rate is currently 6.9%

*Data from CMHC Portal

Regina Market Conditions

UNDER CONSTRUCTION INVENTORY IN REGINA (EXCLUDING RENTALS)



*Data from CMHC Portal

Regina Market Conditions



City of Regina MLS® Residential Market Activity



Actual	February 2018	Compared to ⁵					
		February 2017	February 2016	February 2015	February 2013	February 2011	February 2008
Sales Activity	152	9.4	-12.6	-10.1	-16.5	-26.9	-46.7
Dollar Volume (\$)	\$48,095,112	12.0	-11.3	-9.4	-16.6	-16.4	-20.6
New Listings	400	2.8	-11.9	-10.1	2.3	6.4	15.3
Active Listings	1,225	16.4	7.5	8.0	74.8	78.1	382.3
Sales to New Listings Ratio ¹	38.0	35.7	38.3	38.0	46.5	55.3	82.1
Months of Inventory ²	8.1	7.6	6.6	6.7	3.9	3.3	0.9
Average Price (\$)	\$316,415	2.4	1.5	0.7	-0.1	14.4	48.9
Sales to List Price Ratio ³	95.6	95.6	95.8	95.9	97.5	96.9	100.6
Median Days on Market ⁴	35.5	39.0	36.0	42.0	26.0	25.0	4.0

Mortgage Qualifying Changes

- The “Stress Test” on mortgage qualifying came into effect in October 2016
- Result = The definition of affordability changed as the Federal government downloaded their housing responsibilities onto the Municipalities
- A family must qualify for a mortgage at the stress test interest rate (Currently **5.34%**) even though their actual interest rate could be **3.34%**

Mortgage Qualifying Changes

Gross Household Income	Max Purchase Price Before October 2016*	Max Purchase Price After October 2016**	Reduction in Purchasing Power
\$50,000	\$279,000	\$236,000	15%
\$60,000	\$339,000	\$287,000	15%
\$70,000	\$399,000	\$338,000	15%
\$80,000	\$458,000	\$388,000	15%
	* based on qualifying at a 5 yr fixed rate of 3.24%. Assumes client has excellent credit, and no additional debts	** based on qualifying at BoC rate of 5.14%. Assumes clients has excellent credit and no outstanding debts	

\$300,000 New home vs. \$1500 rental

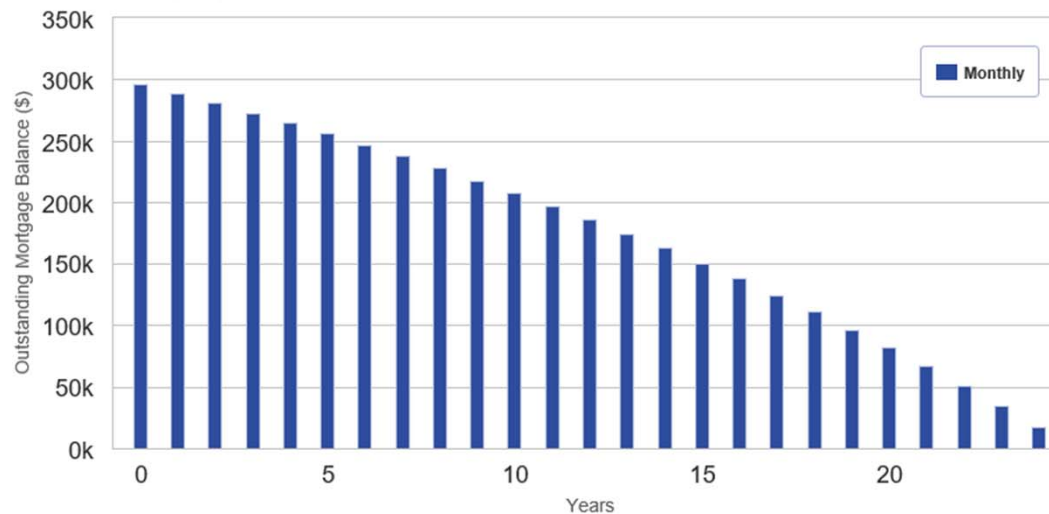
	Ownership of \$300k home	Rental cost
Mortgage Payment	\$ 1,486	
Rent Payment		\$ 1,500
Property Taxes	\$ 250	
Total costs per month	\$ 1,736	\$ 1,500
Total costs per year	\$ 20,832	\$ 18,000
Difference in homeownership costs over 5 years	\$ 14,160	
Equity earned over period	\$ 44,080	
Total Benefit to homeowner	\$ 29,920	
Difference in homeownership costs over 15 years	\$ 42,480	
Equity earned over period	\$ 149,819	
Total Benefit to homeowner	\$ 107,339	
Difference in homeownership costs over 25 years	\$ 70,800	
Equity earned over period	\$ 300,000	
Total Benefit to homeowner	\$ 229,200	

Home Price assumes 5% down, CMHC fees included

Assumes no inflation of rent costs, assumes no appreciation of home value, assumes no maintenance of home, assumes all other variables remain static over 25 year period

\$300,000 New home vs. \$1500 rental

Mortgage Payment Calculator			
			Your Monthly Mortgage Payment is: \$1,486.¹¹
Purchase Price:	\$300,000.00	Amortization Period:	25 years, 0 months
Down Payment:	\$15,000.00	Payment Frequency:	Monthly
Mortgage Balance:	\$285,000.00	Interest Term:	5 years, 0 months
Default Insurance:	\$11,400.00	Interest Rate:	3.540%
		Rate Type:	Fixed
TOTAL MORTGAGE:	\$296,400.00		



Typical Families was being helped

- A single mom- 26 year old with a 2 year old son, she works as a nurse with the Regina Qu'appelle Health Region – her parents co-signed so that she could own a home
- A young couple– He is a manager at The Brick and she is a homemaker, they have an 8 year old daughter and 5 year old son
- A mature couple - 48 years old, he is a cashier at Lowes and she works at the Double Tree they have two daughters age 14 & 19



Reduction in Grants to Affordable Homes

- Currently non-profit organizations get from January 1 – October 31st to apply for funding
- If all funding is taken up by non-profit organizations than for profit organizations are entitled to none
- If after October 31st there is funding available to help affordable home ownership we believe the balance should be allocated.
- Homeownership plays a major role in the housing continuum and makes for a stronger and more resilient Regina

Our Requested Revisions to the Policy

- **Redefine The Maximum Income Threshold to 100% of the Annual Median Income(AMI). Currently at 80% of AMI**
- **Return the maximum number of ownership units back to 40.**
- **Return the scorecard criteria back to 30/100 to ensure there are options for families who want to own a home**