

November 12, 2019

To: Members  
Mayor's Housing Commission

Re: Housing Incentives Policy Review

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**RECOMMENDATION**

1. That the revisions to the City of Regina *Housing Incentives Policy*, attached as Appendix A, be approved.
2. That this report be forwarded to the November 25, 2019 meeting of City Council for approval.

**CONCLUSION**

The City of Regina (City) provides capital grant and tax exemption incentives through the *Housing Incentives Policy* (HIP) to stimulate new rental and ownership units that address current housing needs.

Based on the City's shifting housing situation, introduction of the National Housing Strategy, Plan to End Homelessness for Regina and an Intensification Levy, as well as feedback received from internal and external stakeholders, Administration has identified revisions to the current incentive programs designed to focus incentives towards Regina's critical housing needs in a manner consistent with the objectives of the HIP, goals of the *Comprehensive Housing Strategy* (CHS) and policies of *Design Regina: The Official Community Plan Bylaw No. 2013-48* (OCP).

The recommended amendments to the HIP would:

- Introduce a new tax exemption program for the repair of existing affordable rental housing units in alignment with National Housing Co-Investment Fund established under the Federal Government's National Housing Strategy;
- Introduce an Intensification Levy Rebate for the development of new affordable housing developments;
- Expand the tax exemption program for new market ownership construction to include the North Central and Heritage neighbourhoods;
- Expand the capital grant program for new affordable rental construction to include on-site support service suite in alignment with the Plan to End Homelessness for Regina; and
- Suspend for one year the capital grant and tax exemption programs for new affordable home ownership construction by private sector developers in all areas and for non-profit housing providers in greenfield neighbourhoods.

If approved, these policy changes will be in place for applications starting on January 1, 2020. No increase in the current annual commitment of \$2.5 million is requested to fund these policy revisions.

### *Social Development Reserve*

The Social Development Reserve which funds the HIP currently does not have a long-term funding source and by 2021 its balance is projected to be less than the \$2.5 million required to implement the HIP. As part of the HIP review, Administration has identified potential funding sources in advance of 2021 budget deliberations.

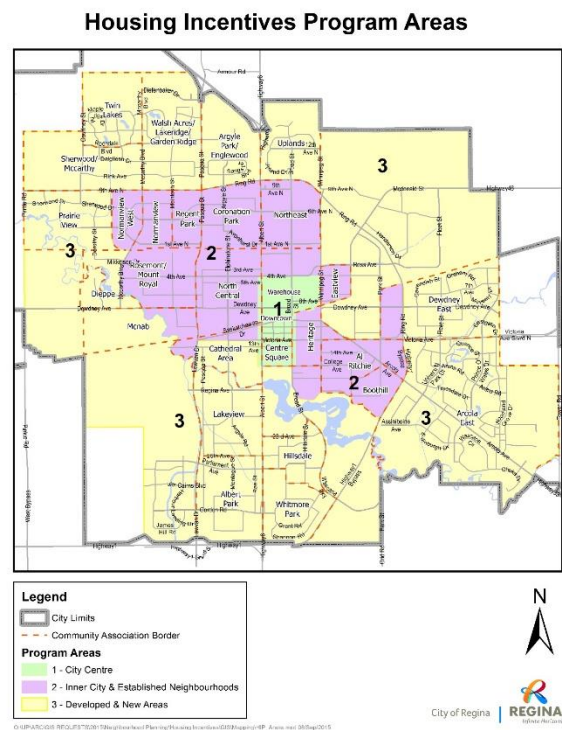
### BACKGROUND

The City provides capital grant and tax exemption incentives through the HIP to stimulate new rental and ownership units that address current housing needs. The HIP establishes three program areas, City Centre (Area 1), Inner City and Established Neighbourhoods (Area 2) and Developed and New Areas (Area 3).

Following the adoption of the CHS, the HIP was updated in 2013 to implement many of the strategy recommendations related to housing affordability and availability. Since 2013, changes to the policy combined with the Government of Saskatchewan’s Rental Construction Incentive (RCI) and Headstart on a Home (HOAH) programs, which were designed to encourage new purpose-built market rental and entry-level home ownership construction respectively, resulted in a substantial increase in the development of market rental and affordable ownership housing, as well as an increased up-take of municipal incentives by the private sector.

The HIP underwent a comprehensive review and update in 2015 which shifted the focus of incentive programs away from increasing the supply of market rental housing and towards supporting households in core housing need. In 2017, City Council approved minor amendments to the HIP to refine existing housing incentive programs to ensure they effectively address current housing needs.

Since 2017 several new regulations and initiatives at the Federal, Provincial and municipal level have impacted the development and maintenance of housing in Regina.



<b>Date</b>	<b>Regulation/Initiative</b>
Apr 2017	Province introduces PST on new home construction
Nov 2017	Federal Government releases a 10-year National Housing Strategy and launches National Housing Co-Investment Fund
Jan 2018	CMHC introduces stress test requirement for new mortgages
June 2018	City of Regina approves creation of an Intensification Levy that came into effect on October 1, 2019
Apr 2018	Saskatchewan Housing Corporation and CMHC enter into bilateral agreement under the National Housing Strategy.
Jul 2018	Province suspends Rental Housing Supplement Program
Jun 2019	YMCA releases the Plan to End Homelessness for Regina
Aug 2019	City of Regina approves The Regina Zoning Bylaw, 2019 (No. 2019-19), a comprehensive review of the existing Zoning Bylaw by Zone Forward
Sept 2019	CMHC introduces First Time Homebuyer Incentive
2020-21	Province & Federal Government to begin implementing the Canada Housing Benefit

## DISCUSSION

### **1. HIP Review Methodology**

In initiating the HIP Update & Revision, Administration's objective was to identify and recommend amendments to the City's incentive programs that would refocus incentives to stimulate the development of housing for those in the greatest need. Using both qualitative and quantitative research methods, the recommended amendments to the HIP are based on a thorough evaluation of the City's current housing conditions and needs which included:

- A review of the current policy framework;
- An assessment of current housing market trends;
- Analysis of the subscription of incentives since 2013;
- Analysis of the impact from the National Housing Strategy, Intensification Levy and Plan to End Homelessness for Regina; and
- Consultation with private sector and non-profit housing developers as well as meetings with the Saskatchewan Housing Corporation

### **2. HIP Review Considerations**

#### **2.1 Current Policy Framework**

##### *2.1.1 Design Regina: The Official Community Plan Bylaw 2013-48*

The OCP includes policies and direction related to housing and financial incentives that have been considered by Administration through the review process. Applicable policies

include the need for diverse housing options, directing at least 30 per cent of new growth to existing urban areas, aligning City initiatives with provincial and federal funding sources and the need to support non-profit housing organizations through incentives.

### 2.1.2 *Comprehensive Housing Strategy*

The CHS establishes a series of strategies and guiding principles with respect to housing incentives including directing incentives to areas where there are gaps in the private market's ability to address housing needs; and, that the effectiveness of programs must be monitored and evaluated on an ongoing basis with changes introduced as needs and conditions in the city change. Strategy 1 of the CHS also provides specific recommendations to refine the HIP to address the need for affordable and rental housing.

### 2.1.3 *Servicing Agreement Fees and Development Levies Policy*

On June 25, 2018, City Council approved an amendment to the Service Agreement Fees and Development Levies policies that introduced an intensification levy applied to new construction in established neighbourhoods to cover off-site infrastructure costs to the City. The intensification levy came into effect on October 1, 2019 and is payable by the developer at the time of Development or Building Permit.

Through engagement with local housing developers in preparation of the amendment, concerns were expressed that the introduction of an intensification levy will have a negative impact on the development of new affordable housing units. As a result, City Council adopted the recommendation:

“That City Administration be directed to consider the *Intensification Levy Policy* and its impact on affordable housing in its review of its *Housing Incentive Policy* planned for 2019.”

### 2.1.1 Housing Market Trends

#### 2.2.1 *Rental Market*

Since 2013, the City has seen approximately 4,000 new market units enter the market. 58 per cent of these new market rental units are located within large multi-unit housing developments located around the periphery of the city in greenfield areas and have received incentives under the City's Tax Exemption Program. This represents a spike in the number of new purpose-built rental developments compared to previous decades when most years would see less than 100 new rental units being constructed.

This increase, combined with cooling economic conditions, has resulted in the city-wide rental vacancy rate increasing to 7.4 per cent this spring as reported by Canada Mortgage and Housing Corporation (CMHC), compared to 2.5 per cent at the same time in 2014. Since 2014 the average rental rate has increased by 1.2 per cent compared to average annual increases of 6 per cent experienced between 2005-2013. Meanwhile, older rental units and bachelor units have experienced slight decreases in average rental rates since 2015.

Despite the rising vacancy rate, non-profit housing providers and the Plan to End Homelessness have noted that waiting lists still exist for individuals and families seeking affordable, below market rental housing. In particular, Administration has heard that there is a lack of below market rental units with three or more bedrooms to accommodate large families, and smaller units for single individuals.

### *2.2.2 Real Estate Market*

Similar to the rental market, Regina's real estate market has cooled significantly since 2013. There has been a sharp reduction in housing starts, particularly with single-detached units and condominium units, as the number of completed, unabsorbed units has remained high. As a result, average home prices have declined each year since 2014 from \$328,340 to \$303,081 to date in 2019. The cost of entry-level housing (e.g. townhouses and apartment condominiums) has also decreased in recent years with the average sale price dropping from \$207,776 in 2014 to \$187,210 in 2019 and the average number of days to sell increasing from 50 to 80.

With these conditions in place, since 2013 Regina has periodically had months where sales are less than 40 per cent of active listings- also known as a 'buyer's market'.

### *2.2.3 Core Housing Need*

Administration used CMHC and Statistics Canada data to understand which areas of the city had a higher per cent of households in core housing need. Core housing need is a term developed by CMHC that refers to households/dwellings that do not meet adequacy (i.e. needing major repairs), suitability (i.e. has enough bedrooms for the size and composition of the household), or affordability (i.e. spending more than 30 per cent of income on shelter) norms.

Based on 2016 census data there were 12,255 households in core housing need in Regina, of which 9,069 households or 74 per cent were due to housing unaffordability. The overall rate of core housing need increased from 12 per cent in 2011 to 13.3 per cent in 2016. At the neighbourhood level, North Central and Heritage have the highest level of core housing need overall while core housing need in the Al Ritchie, Coronation Park, Eastview and Rosemont neighbourhoods is elevated.

The Plan to End Homelessness for Regina found that between 3,900 – 4,111 low income households are in extreme core housing need, meaning they spend more than 50 per cent of their income on shelter. The Plan to End Homelessness also estimates that between 1,540 to 1,660 individuals slept rough or accessed shelters in 2018.

## 2.3 Subscription of Incentives

### *2.3.1 Capital Grant Program*

As illustrated in Table 1 of Appendix B, up-take of the City's Capital Grant program has been strong since 2013 with capital grants totaling \$11,700,000 for 880 new affordable units approved to date. 584 (64 per cent) of the capital grants have gone towards new affordable ownership units compared to 296 (36 per cent) for new below market rental units. Similarly,

with a greater uptake in capital funding from the private sector, a shift has occurred in the location of incentives with a greater percentage of funds committed to units in new, greenfield areas of the city. A map illustrating the location of capital grants approved since 2013 is provided in Map 1 of Appendix B.

### *2.3.2 Tax Exemption Program*

As illustrated in Table 2 of Appendix B, since 2013 the City has approved tax exemptions for 4,454 units worth an estimated \$20 million in tax revenue over the full term of the exemption period. The increase has been propelled by the development of several new large-scale market rental housing developments around the periphery of the city, which have accounted for more than half of all tax exemptions approved. In 2015 City Council approved a phase out of the market rental tax exemption program in greenfield areas. A map illustrating the location of tax-exempt units approved since 2013 is provided in Map 2 of Appendix B.

## 2.4 National Housing Strategy

### *2.4.1 National Housing Co-Investment Fund*

The National Housing Co-investment Fund was officially launched on May 2, 2018 and offers grants and low-interest loans for the development of new or repair of existing affordable rental housing. The Fund is administered directly by the CMHC.

To be eligible, applicants must also receive a contribution (financial or in-kind) from the Government of Saskatchewan (Province) and local municipality<sup>1</sup>. The Fund offers grants of up to 40 per cent and loans of up to 95 per cent of the capital costs of the project. The funding percentages are based on the applicant's ability to demonstrate the project's ability to address a series of criteria, including addressing local housing demands and proximity to local amenities. Applications received under this Fund are evaluated nationwide with no funding allotments set for each province and territory, so there is no minimum or maximum amount of funding Saskatchewan or Regina may receive through this Fund.

Administration reviewed the eligibility requirements for this Fund and confirmed that any local housing provider applying under this Fund to construct new affordable rental housing units would also be eligible for capital and tax incentives under the HIP, satisfying the municipal contribution requirement. With respect to the Funds Rental Repair Program, the City does not currently offer financial incentives for repairs; therefore, making it challenging for applicants to demonstrate municipal support for the project per Fund requirements.

### *2.4.2 First Time Homebuyer Incentive*

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<sup>1</sup> Under the Fund, there is no minimum municipal contribution requirement; however, CMHC will factor in the level of support from other levels of government when determining the amount of funding the Federal Government will provide a project.

CMHC now offers first-time home buyers with a loan up to five per cent of a sale price of a resale home or 10 per cent of the sale price of a new home. For example, if an existing home costs \$300,000, the first-time home buyers can receive a loan for \$15,000. The program is designed to enable first-time homebuyers to reduce their monthly mortgage payments without increasing their down payment. The program will be available for the next three years.

To qualify for this incentive first time home buyers must still have a minimum down payment and their income cannot exceed \$120,000. The loan does not accrue interest and is repayable upon sale of the home or after 25 years, whichever happens first.

## 2.5 Plan to End Homelessness for Regina

On June 20, 2019 a five-year Plan to End Homelessness for Regina was released. The goal of the Plan is to end chronic and episodic homelessness in Regina, and to ensure any future episodes of homelessness are rare, brief and non-recurring.

The Plan was based on extensive research to assess the extent of homelessness in Regina using local data and program information, as well as the social and economic factors impacting homelessness in Regina.

Administration reviewed the findings of the Plan to identify opportunities to align its recommendations with the City's HIP. Administration looked at whether current housing incentive programs would support the 80 new permanent supportive housing spaces and 80 new affordable housing spaces recommended by the Plan.

## **3. Recommended Amendments**

This section of the report will describe and analyze the key revisions to the HIP. A summary table of each revision proposed, including a brief rationale, is also provided in Appendix D.

### 3.1 Introducing Rental Repair Tax Exemption Program

Administration recommends establishing a five year, 100 per cent tax exemption for the repair of rental buildings. Creation of the program would enable local housing providers to qualify for grants and loans under the National Housing Co-Investment Fund rental stream which, as discussed under section 2.4.1, requires municipalities to contribute financially or in-kind to the project. The criteria of the proposed tax exemption program would be aligned with National Housing Co-Investment Fund, including the requirement that at least 30 per cent of the units repaired be rented at below market rental rates.

### 3.2 Provide a Capital Grant for the Capital Costs of providing an On-Site Support Suite

Administration recommends providing up to \$20,000 where a new affordable project includes a dedicated on-site support suite (e.g. counselling suite). Support services can range from drug/alcohol addiction counselling to job and life-training services and are typically provided by an external organization that has entered into a service agreement with the housing developer. The grant would assist with the capital costs of constructing the on-site support space only, not the operational costs of the support service.

Affordable housing providers commented that having a designated space for on-site support services within rental housing developments assists hard-to-house tenants become successful in their transition from temporary to permanent, independent living. This is consistent with the Plan to End Homelessness goal to increase permanent supportive housing. In addition, the Province's evaluation criteria for its Rental Development Program and Federal Government's National Housing Co-Investment Fund encourages and provides financial support for the creation of on-site support spaces.

### 3.3 Provide an Intensification Levy Rebate for new Affordable Units

Administration recommends establishing an intensification levy rebate for affordable housing providers that qualify under the HIP's capital grant program. As discussed in section 2.1.3, Administration was directed to consider the impact of the levy on the development of affordable housing. Based on stakeholder feedback and previous proforma work completed on the development of affordable housing, it is recommended that a rebate of the full levy be implemented.

Under the recommended policy, applicants would apply for the rebate as part of their affordable housing capital grant program. The applicant would be required to pay the levy at the time of Building Permit. The rebate would be provided to the applicant upon completion of the project and confirmation that it meets the City's affordable housing requirements<sup>2</sup>.

The cost of introducing the intensification levy would be offset by the recommended reduction in the capital grant program for affordable home ownership.

### 3.4 Expansion of the Market Ownership Tax Exemption Program

Administration recommends that its three-year tax exemption program for market ownership units be expanded from the Program Area 1: City Centre to include the North Central and Heritage neighbourhoods. The exemption would be provided where there is currently a vacant lot or the existing dwelling on the lot is in poor condition and will be demolished.

Through census data and the Underutilized Lot Inventory created as part of the Underutilized Land Improvement Strategy, it was determined that these neighbourhoods have the greatest number of vacant lots and dwellings in need of major repair. Expansion

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<sup>2</sup> Note that under the *Administration of Servicing Agreements and Development Levy Agreement Policy* when an intensification levy is greater than \$50,000 a developer has the option to pay it in three installments over two years.



of this program to these areas would encourage private investment in chronically vacant or deteriorating properties.

Under the recommended expansion, the tax exemption would only be available where the lot is currently vacant or contains a building that needs significant repairs. Note that in the 1990's and 2000's the City implemented a similar program called the Inner-City Housing Stimulation Strategy.

### 3.5 Suspension of Affordable Home Ownership & Tax Exemption Programs

Administration recommends that the Affordable Home Ownership & Tax Exemption Programs be suspended for private sector developers in all Program Areas and for non-profit housing providers in Program Area 3: New and Developed Areas for one year.

The affordable home ownership program was expanded to private sector developers in 2011 following years of rapidly accelerating home prices to encourage the construction of new entry level housing. At that time, the Province began implementing an Affordable Home Ownership Program (AHOP) which enabled the City to receive approximately \$4,000 for each new unit it funded under the HIP. In response to increased supply of rental and entry level home ownership units entering the market, the Province suspended AHOP in 2015.

As discussed under section 2.2.2, the city's real estate market has shifted considerably in recent years with an abundant supply of entry level ownership housing available on the resale market. As such, the current program is not aligned with the HIP's objective of addressing gaps in the private market's ability to address housing need. The private sector is addressing this need. Regina has one of the highest rates of homeownership and lowest rate of ownership unaffordability among prairie cities. In addition, suspension of this program is recommended at this time as:

- Applicants have struggled to use capital grants already committed to this program. As of September 30, 2019, there were 109 units available with the City's capital grant that remain unsold. Note: affordable Home Ownership providers can continue to use these grants after the program has been suspended.
- Housing units funded under this program are priced up to \$300,000. There are currently 859 properties on the resale market listed for less than this, including 530 single detached dwellings. New home buyers can find good homes for less than what is available through this program, without a subsidy from the City.
- In recent years approximately 60 per cent of capital funding has been committed to home ownership units. A reduction in this program is required to offset the funding required for the Intensification Levy Rebate and grant for on-site support suites.

Administration recommends that the programs remain in Program Areas 1 and 2 for non-profit housing providers to ensure continued support of organizations like Habitat for Humanity which have provided below market home ownership units to households well below the City's maximum income thresholds in older neighbourhoods for decades.

### 3.6 Update to HIP Scorecard

Administration recommends amendments to the HIP scorecard in alignment with the National Housing Co-Investment Fund.

### 3.7 Rental Assignment to 3<sup>rd</sup> Party Service Providers

Administration recommends the HIP be amended to allow affordable rental developers to rent units directly to support service organizations which will in turn rent the units to low income households. These service organizations are typically accredited by Saskatchewan Housing to verify suitable tenants for affordable housing programs and non-profit housing providers work in concert with these service providers, such as Regina Treaty/Status Indian Services (RT/SIS).

### 3.8 Quicker Consideration of Private Sector Developer applications

Under the current policy, non-profit housing provider applications are funded on a first-come, first-serve basis from January 1<sup>st</sup> to October 31<sup>st</sup> of each year and Private Sector housing provider applications are evaluated after October 31<sup>st</sup> with the remaining funding available prioritized based on the HIP Scorecard

In response to feedback from Private Sector developers, Administration recommends that Private Sector applications be evaluated after July 31<sup>st</sup> of each year. This change would allow private sector housing providers to receive a funding decision earlier in the year while maintaining funding priority to non-profit housing providers.

## **4. Implementation & Monitoring**

### 4.1 One-Year Suspension of Affordable Home Ownership Program

As discussed under section 3.5, Administration recommends a one-year suspension of current affordable home ownership capital grant and tax exemption programs for private sector developers and non-profit housing providers in newer neighbourhoods. At the end of 2020, Administration may provide a recommendation to the Mayor's Housing Commission on whether these programs should be fully or partially reinstated should:

- The supply of entry level housing units available on the resale market drops; or,
- New provincial or federal home ownership incentive program emerge that may be leveraged by the HIP.

### 4.2 Further Investigation of Suggestions from Affordable Housing Providers

Administration received two suggestions through its engagement with affordable housing providers that require more investigation before a recommendation can be provided to the Mayor's Housing Commission.

#### *4.2.1 Providing Capital Grants to Applicants before Project Completion*

Affordable housing providers have suggested that capital grants be paid out before their project is completed and occupied. It has been noted that this delay increases overall project costs as affordable housing developers need to borrow more for construction which in turn increases their debt servicing costs.

The current process is established to ensure that affordable housing projects are occupied and comply with the HIP's affordability requirements before the City issues payment. City Administration will be investigating options for issuing payment(s) prior to completion taking into consideration risks to the City if the project is not completed or is not in compliance with the HIP's affordability requirements. Following this investigation Administration will provide a report to the Mayor's Housing Commission which may include an additional amendment to the HIP.

#### *4.2.2 Fast Tracking Affordable Housing Building Permit Applications*

Affordable Housing providers have commented that delays in receiving Building Permit approvals significantly impacts project costs. Note that fast-tracking the approval process for affordable housing developments is a recommendation in the CHS.

Administration is currently investigating the creation of an internal operating procedure for flagging and expediting the review of affordable housing projects through the new Planning and Building Software. Administration will report back to the Mayor's Housing Commission following the completion of this investigation.

#### *4.2.3 Redesign of the Home Ownership Incentive Programs*

As discussed, in the Communications section of this report the Regina & Region Home Builders Association (RRHBA) propose revising the current Affordable Home Ownership program to, among other things, reduce the City's per unit contribution under the current program.

Administration will engage in additional discussions with the RRHBA on this proposal in 2020 as it evaluates the one-year suspension of the capital grant program for home ownership. Analysis and recommendations will be presented to Mayor's Housing Commission in the fourth quarter of 2020.

### 4.3 Education & Outreach

If the revised HIP is adopted, Administration will continue to inform and educate the public and stakeholders of the revised incentive programs before the new policy comes into effect on January 1, 2020. This will include:

- Written notification to all housing stakeholders including housing providers, past recipients of housing incentives, Mayor's Housing Summit attendees and Community Associations.

- Updated content on Regina.ca.
- Creating and circulating revised application material for the incentive programs in easy to read formats (e.g. brochures, information sheets, etc.).
- Drop-in sessions in Q1 of 2020 for local housing providers to learn about and ask questions of the updated housing incentive programs.

#### 4.4 Monitoring

Moving forward, Administration will continue to monitor the performance and impact of the City's incentive programs and utilize this information to ensure the goals of the HIP are successfully accomplished. This will include ongoing tracking of housing statistics and indicators such as rental vacancy rates, percentage of households in core housing needs and real estate trends as well as continued engagement of private sector developers and non-profit housing organizations.

As recommended in the CHS, the next comprehensive review and update to the HIP would occur in five years. However, should sudden shifts in the housing market occur, Administration will bring forward revisions to the HIP, as required, to ensure that the City's housing needs are being addressed.

### RECOMMENDATION IMPLICATIONS

#### Financial Implications

Approval of the recommended update to the HIP does not require any additional funding commitment beyond the \$2.5 million per year approved on July 29, 2013 with the update to the 2013 HIP.

Since 2013, the City has contributed approximately \$31.7 million to the construction of below market rental and ownership housing as well as purpose-built market rental units through capital grants and tax exemptions. Approximately \$11.7 million of the total was committed in capital grant funding and \$20 million in projected municipal tax exemptions. A detailed breakdown of the City's commitment through the HIP is provided in Appendix B.

#### **Municipal Housing Contribution (2013-2018)**

	Contribution	Total Units	Rental Units	Ownership Units
Tax exemption	\$20 million <sup>3</sup>	4,454	3,350	735
Capital grants	\$11.7 million	880	296	580
<b>Total municipal contribution</b>	<b>\$30.7 million</b>	<b>4,454<sup>4</sup></b>		

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<sup>3</sup> Assumes a 3% increase in assessment year over year.

<sup>4</sup> Total does not equal tax plus capital contributions as capital grant units would receive tax exemption and be included in that count.

In addition to its contributions through the HIP, the City has supported affordable housing through:

- In 2019 the City donated the former Victoria Ave School Site valued at \$2 million to the YWCA for their new facility
- The City has a five per cent ownership stake in dozens of properties owned by the Saskatchewan Housing Corporation and is responsible for covering five per cent of any operating losses. Since 2013 the City has contributed \$380,578.

### Financial Impacts of the Revisions to Housing Incentives Policy

The table below summarizes the estimated financial impact for each proposed amendment to the HIP.

<b>Amendment</b>	<b>Funding Source</b>	<b>Estimated Annual Financial Impact</b>
Intensification Levy Rebate	Social Development Reserve as part of \$2.5M	Cost in \$200,000-\$400,000 range based on evaluation of applications from previous years. Amount would increase if private sector affordable home ownership program continues.
Rental Repair Incentive	Future Tax Revenue	Loss of municipal tax revenue in \$0-\$50,000 range. Fewer than 3 applications per year are expected due to alignment with Co-Investment Fund. Value of applications related to size of rental repair project
Capital Grant for On-Site Support Space (e.g. Counselling Unit)	Social Development Reserve as part of \$2.5M	Cost in \$0 - \$60,000 range based on the number of recent affordable rental developments that have included on-site support spaces.
Suspension of Affordable Home Ownership Grant & Tax Exemption Programs	Social Development Reserve / Future Tax Revenue	Capital Grants - Savings in \$800,000-1,200,000 range based on past uptake of this program. Tax Revenue – Savings in municipal tax revenue in \$96,000 – \$144,000 range
Expansion of Market Ownership Tax Exemption Program to North Central/Heritage	Future Tax Revenue	Loss of municipal tax revenue in \$0 - \$30,000 range. Similar program existed in 90-00's (ICHSS) but only a few applications were received in these areas each year.

## **Social Development Reserve**

Under the HIP, the City's annual \$2.5 million maximum commitment to its affordable housing capital grant programs is funded from the SDR. There is no cap on the value of tax exemptions approved under the HIP. Historically, the SDR was established to meet the City's obligation to the Saskatchewan Housing Corporation (SHC), who provided a funding source for the City from the development of land by SHC. Since SHC is no longer involved in the land development business, a new source of funding for the SDR is required.

Factoring in existing capital funding commitments the SDR had a balance of \$5.3 million at the beginning of 2019. If the maximum \$2.5 million is committed to new affordable housing projects in 2019 and 2020 the SDR will not be fully funded in 2021.

Administration has identified general tax revenues as the most reliable and sustainable source of funding for the SDR until land sales are in a surplus position. Three options for structuring the allocation have been developed, and a recommendation will be prepared for the 2021 budget process.

1. A dedicated mill rate increase of one per cent beginning in 2021 which would generate approximately \$2.5 million in revenue annually;
2. A dedicated mill rate increase of 0.25 per cent for four years beginning in 2021 combined with transfers from Reserves or General Revenues over the short term; or,
3. An annual allocation of \$2.5 million through the 2021 annual budget processes.

In addition to these funding sources, Administration investigated two additional funding sources which were not considered viable:

Municipal Land Sales - With the upfront capital costs required to develop and service the City owned lands in the south east and rail lands combined with a slowdown in new housing construction, the City is not anticipated to be in a surplus position from land sales revenue for several years. Therefore, this option is not recommended as it is not currently viable.

Note that because revenue from land sales can fluctuate year by year, there are additional challenges in using land sales as the SDR's long term funding source. This issue would be addressed through the identified funding sources.

Transfers from other Reserves Above their Maximums - This option is not recommended as transfers from reserves would only provide a one-time funding source and would therefore not be sustainable over future years. In addition, most reserves are currently below their maximum limits.

Administration will submit its recommended long-term funding for the SDR through the 2021 budget deliberations.

### Environmental Implications

Recommended revisions to the HIP focus incentives on neighbourhoods with core housing need and established neighbourhoods with poor quality housing stock in need of renewal. This policy direction is consistent with the OCP intensification goal to target 30 per cent of development to existing, established neighbourhoods. By focusing housing to use existing infrastructure including water, sewer, roads, transit service, community amenities, facilities and open space these services are more efficient and more financially viable, and development results in a smaller environmental footprint for its inhabitants. Similarly, by locating affordable housing in established neighbourhoods where employment, services and amenities are likely to exist, added costs for households such as car ownership are reduced, and alternate, active forms of transportation are supported.

### Policy and/or Strategic Implications

As discussed under Section 2.1 of this report, the recommended revisions to the *Housing Incentives Policy* are consistent with the direction of *Design Regina: The Official Community Plan* and the *Comprehensive Housing Strategy*.

### Other Implications

None with respect to this report.

### Accessibility Implications

Development criteria established for eligibility for housing incentives encourages development of accessible units that exceed the required five per cent in multi-unit rental developments and the creation of accessible units in ownership developments. The score card for applications for capital grants includes additional points for developments that provide 10 per cent or more accessible units.

## COMMUNICATIONS

### Internal Communications

Members of Administration from Planning & Development Services, Assessment, Tax & Utility Billing, Land & Real Estate Management, Legal Services and Citizen Experience have contributed to the updates and revisions to the HIP. Through the review process Administration has had ongoing discussions with Provincial staff to ensure that proposed amendments to the City's incentives complement and do not duplicate with Provincial housing incentive programs.

### External Communications

#### *Plan to End Homelessness*

City Administration reviewed and considered the findings from the 20 design labs held by the YMCA in preparation of the Plan to End Homelessness in Regina.

### Stakeholder Consultation Sessions

In July 2019, Administration invited private sector and non-profit housing providers that had previously utilized the City’s incentive programs to stakeholder consultation sessions. The intent of the sessions was two-fold: first, provide City staff an opportunity to explain the intent and objectives of the HIP Update and second, provide stakeholders an opportunity to discuss how incentives were working for them and where revisions could occur to better achieve the City’s housing objectives.

Table 1 highlights some of the key themes heard from the consultation sessions. The final report from the consultation sessions is attached as Appendix E.

What works well?	<ul style="list-style-type: none"> <li>• The HIP’s grant and tax exemption programs are incenting the creation of new affordable housing</li> <li>• City staff that administer the HIP are knowledgeable and responsive</li> <li>• HIP is clear, uncomplicated and fairly simple to use</li> </ul>
Barriers to providing affordable housing	<ul style="list-style-type: none"> <li>• Tenants often do not earn enough to afford the subsidized rate of affordable housing</li> <li>• Lack of capacity and resources to provide to support services (e.g. mental health counselling) for tenants</li> <li>• Need for municipal and provincial funding programs to align with national housing programs</li> </ul>
Solutions to address these barriers	<ul style="list-style-type: none"> <li>• Exempt the intensification levy</li> <li>• Provide capital grants up-front instead of after the housing development has been completed.</li> <li>• <i>Private Sector</i> - Remove requirement that funding commitments for private sector housing providers occurs after October 31<sup>st</sup> of each year</li> <li>• <i>Non-Profit</i> – Remove requirement that housing developer must rent directly to tenants and allow third party service organizations to rent units.</li> <li>• <i>Non-Profit</i> - Provide incentives for the repair of existing housing units instead of new construction only.</li> </ul>

City Administration were able to incorporate several stakeholder suggestions into the recommended HIP amendments. A complete breakdown of each comment received, and Administration’s response is provided in Appendix C, Table 1.

Prior to finalizing its recommendations, Administration invited all stakeholders to review the proposed revisions and provide their feedback. In addition, Administration held a drop-in session on October 8, 2019 for interested stakeholders to meet with City staff and ask questions before finalizing their comments. The City received four written responses and four individuals attended the drop-in session. The proposed amendments were generally positively received by housing providers. Home builders expressed concern with the recommended one-year suspension of the Affordable Home Ownership program. The comments received are provided in Appendix D and Administrations’ response is provided



in Appendix C, Table 2.

City Administration also notified attendees of the 2014 Mayor's Housing Summit and all Community Associations of the proposed amendments to provide advanced notice of their consideration before the Mayor's Housing Commission and City Council.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,



Laurie Shalley, Director, Parks, Recreation & Cultural Services

10/29/2019

Respectfully submitted,



Diana Hawryluk, Executive Director, City Planning & Community Dev.

11/5/2019

Report prepared by: Charlie Toman, Senior City Planner