

January 20, 2020

To: Members  
Mayor's Housing Commission

Re: Housing Incentives Policy Review - Supplemental Report

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## RECOMMENDATION

That this report be received and filed.

## CONCLUSION

This report is to serve as a supplemental report to the Report MHC 19-9 (the Report) titled Housing Incentives Policy (HIP) Review that will come before City Council on December 16, 2019. In response to feedback from the Mayor's Housing Commission, City Administration is recommending two additional revisions to the proposed HIP:

1. That the recommended one-year suspension of the Affordable Home Ownership Capital Grant & Tax Exemption program does not apply to Non-Profit Housing Providers in Program Area 3: New and Developed Areas.
2. Provide non-profit housing providers that have a proven track record in completing affordable housing projects with an immediate rebate of the intensification levy provided that they have entered into a legal agreement with the City.

Administration reviewed its recommendation for a one-year suspension of the HIP's home ownership capital grant and tax exemption programs for private sector developers and maintains that the suspension is warranted based on current real estate conditions. An alternative for the Commission to consider is to restrict the suspension of the ownership capital grant to Program Area 3, thus ensuring that the City's incentives are focused on established neighbourhoods where a higher percentage of households are in core housing need.

This report also provides additional information requested by the Mayor's Housing Commission related to the National Housing Strategy Co-investment Fund, timing of the next HIP review and forthcoming information to be provided with respect the Affordable Home Ownership Capital Grant programs. Based on Administration's recommended revisions, a map is provided in Appendix A illustrating where the incentive programs would be available.

## BACKGROUND

Report MHC 19-9, recommending revisions to the City of Regina's Housing Incentives Policy, was heard by members of the Mayor's Housing Commission on November 12, 2019. At the meeting, the Mayor's Housing Commission passed a motion that:

1. This report be tabled to the December 11, 2019 Mayor's Housing Commission meeting and that Administration provide the following additional information in a supplemental report:
  - clarification on how the National Housing Co-Investment Fund and the proposed Tax Exemption Program for the Repair of Existing Affordable Rental Units work together; and
  - that specifically an application does not default to the City program on the Tax Exemption Incentive Policy Program rather than the federal program.
2. Administration complete a review and return to the Mayor's Housing Commission in two years with an update on the Housing Incentive Policy. The main motion, as amended, was put and declared CARRIED.

In addition, the Mayor's Housing Commission directed City Administration to discuss the following items in the supplemental report as an undertaking:

- Consider an amendment to the Housing Incentives Policy to allow qualifying non-profit affordable housing developers to benefit from the intensification levy rebate at the time of building or development permit approval. Under the Service Agreement Fee/Development Levy Policy, the City cannot simply waive the intensification levy fee. The fee must come from somewhere and we are recommending that it be transferred from the Social Development Reserve.
- Review the proposed Capital Grant for On-Site Support Suites to determine if this grant would:
  - be available where a non-profit housing provider repairs an existing rental building and converts a dwelling unit to an on-site support suite
  - only be available in new affordable housing developments
- Provide a separate report to look at the timing and triggers to bring on a review of the One-Year Suspension for the Capital Grants for new Affordable Home Ownership Units such as CMHC, as one source.
- Reconsider the provision of suspending Capital Grants for Affordable Ownership Housing in Program Area 3 for Affordable Home Ownership projects developed by both private sector and non-profit housing providers.

## DISCUSSION

Administration has reviewed each motion and direction provided at the November 12, 2019 Mayor's Housing Commission. This section of the report discusses and provides a response to each item, including where Administration has made recommendations for additional revisions to the proposed HIP. City Council will consider the Mayor's Housing Commission recommendations on December 16, 2019.

## **1. Clarification of the relationship between the National Housing Strategy Co-Investment Fund and recommended rental repair tax exemption program.**

The National Housing Co-Investment Fund (the 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 Canadian Mortgage and Housing Corporation (CMHC).

To be eligible, applicants must also receive a contribution (financial or in-kind) from the Province and local municipality. 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. Grants and loan amounts will be determined for each project based on the applicant's ability to demonstrate alignment to a series of criteria, including addressing local housing demands and the project's proximity to local amenities. To qualify for the Fund an applicant must also be constructing or repairing at least five (5) rental units or bedrooms and the project should cost at least \$250,000.

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. Eligibility for the HIP satisfies the municipal contribution requirement for new construction projects. However, as the City does not currently provide financial incentives for repair of rental housing, local housing providers will not be eligible under this Fund for the repair of existing rental units.

As discussed under Section 3.1 of the Report, Administration recommends the creation of a tax exemption rental repair program to enable local housing providers to access the Fund. The proposed program would provide the lesser of the following:

- 50 percent of the actual eligible costs incurred by the applicant; or,
- an amount equivalent to the total property taxes payable for five (5) years.

The recommended program's eligibility criteria match the Fund's criteria, therefore repair projects must qualify for federal funds in order to be eligible for a tax exemption.

In addition to enabling local housing providers to access federal funding, the creation of the proposed rental repair program is recommended as:

- The difficulty in maintaining existing rental stock emerged as a theme during stakeholder engagement, particularly from non-profit housing providers.
- It is recommended in the *Comprehensive Housing Strategy*.
- It is consistent with the *Design Regina: The Official Community Plan Bylaw No. 2013-48*, specifically section 8.9 to "Adopt measures to retain existing housing stock and improve its condition.", and section 8.19 to work with Federal and Provincial governments to meet the diverse housing needs of the city through "retention and regeneration of existing housing stock" and "Alignment of City initiatives with provincial and federal funding sources."

Administration prepared hypothetical application scenarios to determine the financial impact of introducing the program, including whether there is risk that the value of the tax exemption and federal fund could exceed a project's overall costs. As illustrated in Appendix B, the municipal contribution is projected to be considerably less than 50 per cent of the eligible costs.

Consistent with the HIP's other tax exemption programs, the City would only provide the tax exemption following completion of the repairs and confirmation that units are being rented at below market rates. As such, in a situation where the applicant is unable to secure federal funding and complete the proposed repairs, the City would not provide a tax exemption.

**2. Recommendation that Administration complete a review and return to the Mayor's Housing Commission in two years with an update on the Housing Incentives Policy.**

The *Comprehensive Housing Strategy* recommends the HIP be reviewed at least every five years. However, Administration's practice has been to bring forward amendments and updates to the Policy in shorter intervals based on changes in the housing market and other government housing programs or regulations.

Administration will review the HIP and report back to the Mayor's Housing Commission in 2021.

**3. Consider an amendment to the Housing Incentives Policy to allow qualifying non-profit affordable housing developers to benefit from the intensification levy rebate at the time of building or development permit approval.**

As discussed under section 3.3 of the Report, Administration recommended that new affordable rental and affordable home ownership units approved under the HIP's Capital Grant programs also be eligible for a rebate of the intensification levy. The rebate would be available to units developed by both non-profit and private sector housing providers where a grant has been committed. The rebate would be funded from the Social Development Reserve and be included within the annual \$2.5 million maximum allocation for affordable housing grants. Note that under the Service Agreement Fee/Development Levy policy, the levy fee cannot simply be waived as this would cause the model to be underfunded.

Under the recommended policy, affordable housing developers would pay the intensification levy at the time of their building permit or development permit application and apply for the rebate as part of their capital grant application. If approved, they would receive payment for the rebate at the same time they receive their grant, once there is confirmation that the project is complete, and it continues to comply with the City's affordability requirements. Through discussions with local non-profit housing providers, Administration understands that lag between payment of the levy and receipt of the rebate creates financial challenges as they are required to borrow additional funds against the forthcoming grant to fund construction.

Administration recommends revisions to the proposed HIP that would enable non-profit housing providers to receive an immediate rebate of the intensification levy for eligible units when they are applying for a Development or Building Permit. Under this approach the cost of the intensification levy rebate would be transferred internally from the Social Development Reserve to Planning & Development Services after the non-profit housing provider submits their building application. The organization would not have to pay the levy upfront. Administration recommends that prior to granting the rebate the non-profit housing provider would be required to:

- Enter into a legal agreement with the City of Regina that provides some assurances that the applicant will follow through with construction of an eligible, affordable housing development.
- Provide confirmation that the proposed affordable housing development meets applicable zoning requirements.

Should Mayor's Housing Commission agree with this revision, Administration recommends the Commission adopt the following motion for City Council's consideration:

That Administration revise the proposed Housing Incentives Policy provided in Appendix A of Report MHC 19-9 to allow Non-Profit Housing Providers that have an established record of completing affordable housing projects, as determined by the Executive Director, City Planning & Community Development, receive an immediate rebate of the Intensification Levy following confirmation that the proposed development meets applicable zoning requirements and provided that the developer has entered into a legal agreement with the City.

Note that should a recipient of an intensification levy rebate ultimately not proceed with the affordable housing project as approved, the City would have to take legal action in order to recoup its investment. To reduce exposure to this risk the proposed clause provides authority to City Administration to undertake this arrangement only where the applicant has a proven track record of completion of affordable housing projects.

**4. Would the proposed Capital Grant for On-Site Support Suites be available as part of a repair of an existing rental housing building?**

As discussed under section 3.2 of the Report, Administration recommends a capital grant of up to \$20,000 be provided where an affordable housing project includes a dedicated on-site support suite. Under the proposed amendment, a grant for the support suite would only be available as part of newly constructed projects, not for the repair of existing rental developments.

Administration does not recommend that capital grants be provided for the repair of existing dwelling units. Administration is proposing the creation of a rental repair tax exemption program, as discussed under section 3.1 of the Report. The costs associated with including an on-site support suite would be considered an eligible cost in determining the maximum value of the tax exemption.

**5. Provide a separate report to look at the timing and triggers for reviewing the One-Year Suspension for the Capital Grants for new Affordable Home Ownership Units such as CMHC, as one source.**

Administration is recommending a one-year suspension of the Affordable Home Ownership Capital Grant and Tax Exemption program by private sector developers. As discussed under section 4.1 of the Report, Administration will provide a report to the Mayor's Housing Commission before the end of 2020 on whether the Affordable Home Ownership Capital Grant and Tax Exemption programs should be fully or partially reinstated for private sector developers. In its report back to the Mayor's Housing Commission, Administration will consider the supply and attainability of entry level housing units on the resale market as well as newly constructed units.

**6. Reconsider the provision of suspending Capital Grants for Affordable Ownership Housing in Program Area 3 for Affordable Home Ownership projects developed by both private sector and non-profit housing providers.**

As discussed in the section 5 above and section 3.5 of the Report, City Administration recommended a one-year suspension of the Affordable Home Ownership Capital Grant and Tax Exemption Programs for Non-Profit Housing Providers in Program Area 3 (developed & new areas) and Private Sector Housing Providers in all Program Areas.

Non-Profit Housing Provider Home Ownership Programs

The rationale for maintaining home ownership incentives in Program Areas 1 and 2 for non-profit housing organizations was 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. The recommendations were based on past practice of non-profit housing developers and not intended to limit their future flexibility.

Following Habitat for Humanity's delegation at the November 12, 2019 Mayor's Housing Commission meeting indicating that they are considering new projects in greenfield areas, Administration recommends that capital grant and tax exemption programs for non-profit housing providers be available in all Program Areas. If the Mayor's Housing Commission agrees with this revision, Administration recommends the Commission adopt the following motion for City Council's consideration:

That Administration revise the proposed Housing Incentives Policy provided in Appendix A of Report MHC 19-9 so that the Capital Grant and Tax Exemption program for Affordable Home Ownership be available to Non-Profit Housing Providers in all Program Areas.

Private Sector Developer Home Ownership Programs

As discussed under section 3.5 of the Report, Administration recommends maintaining the one-year suspension for private sector housing providers based on the following rationale:

- Applicants have struggled to use capital grants already committed to this program. As of November 12, 2019, there were 98 units among those approved for the City's capital grant that remain unsold. Note: affordable home ownership providers can continue to access these approved grants after the program has been suspended.

- Housing units funded under this program are priced up to \$300,000. There are currently 820 properties on the resale market listed for less than this, including 486 single detached dwellings. This demonstrates that first time home buyers can find homes for less than what is available through this program, without a subsidy from the City.
- Affordable home ownership incentive programs were expanded to Private Sector developers in 2009 and 2013 in order to encourage new construction of entry level housing for first time home buyers. There is no longer a need to incentivize the construction of new entry level ownership units as the current market is providing for this.
- In recent years, approximately 60 per cent of the City's capital funding has been committed to home ownership units. With other proposed amendments to the HIP, including the Intensification Levy Rebate and grants for on-site support suites, there may not be enough money in the program's annual \$2.5 million allocation. The recommended year suspension will allow Administration to evaluate the allocation of funds.

Should the Mayor's Housing Commission not support the recommended one-year suspension of private sector home ownership programs, an alternative is to continue the programs in Program Areas 1 and 2 only to focus the City's incentives in established neighbourhoods with a higher percentage of households in core housing need.

#### RECOMMENDATION IMPLICATIONS

##### Financial Implications

None for this report.

##### Environmental Implications

None for this report.

##### Policy and/or Strategic Implications

None for this report.

##### Other Implications

None for this report.

##### Accessibility Implications

None for this report.

#### COMMUNICATIONS

None for this report.

DELEGATED AUTHORITY

This report is for informational purposes only and does not require Council approval.

Respectfully submitted,

Respectfully submitted,



Laurie Shalley, Director, Parks, Recreation & Cultural Services

1/16/2020



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

1/16/2020

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