

Request to Exceed Housing Incentives Policy Maximum Annual Commitment for 2019 (Tabled March 3, 2020)

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|---------------------|---------------------------------------|
| Date | June 16, 2020 |
| To | Mayor’s Housing Commission |
| From | City Planning & Community Development |
| Service Area | Parks, Recreation & Cultural Services |
| Item No. | MHC20-2 |

RECOMMENDATION

The Mayor’s Housing Commission recommends that City Council deny the request submitted by North Ridge Developments (Appendix A) at its March 25, 2020 meeting.

ISSUE

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. The HIP states that the City can commit up to \$2.5 million annually to its affordable housing capital grant program. In 2019, the capital grant program was oversubscribed by \$420,000 and, as required under the HIP, a project scorecard was used for private sector applications to prioritize available funding towards projects that serve the greatest housing need.

On January 28, 2020 the City Clerk received a request from North Ridge Developments, asking City Council to exceed the HIP’s \$2.5 million maximum to fund its three affordable home ownership applications. The Regina and Region Home Builders’ Association also submitted a letter to the City Clerk supporting the request (see Appendix B). The City Clerk submitted the letters to the Mayor’s Housing Commission for consideration and Administration prepared this report to discuss implications of the request. The three applications are for 20 units totaling \$300,000.

| File Number | Project Name | Number of Units | Eligible Funding |
|-------------|-------------------------------------|-----------------|------------------|
| 19-CHIP-11 | Caturra Part IV (Glencairn) | 1 | \$15,000 |
| 19-CHIP-12 | Merlot 3, Part IV (Harbour Landing) | 1 | \$15,000 |
| 19-CHIP-13 | The Mills, Part III (Hawkstone) | 18 | \$270,000 |
| | TOTAL | 20 | \$300,000 |

Based on all the applications received in 2019, these applications scored the lowest and funding was not provided based on the Policy. Due to demand on the capital grant program, application 19-CHIP-09 (Gilles Holdings Inc.) for an affordable rental housing development in Harbour Landing also had its funding commitment reduced by eight units (\$120,000).

The HIP provides the Executive Director of City Planning & Community Development with sole discretion to conclusively determine compliance with the eligibility criteria of capital grant applications. However, only Council can approve amendments to the HIP itself, including changes to the annual funding limit of \$2.5 million.

IMPACTS

Financial Impact

The HIP’s capital grant program is funded by the City’s Social Development Reserve (SDR). As illustrated in the table below, when taking into consideration the City’s existing funding commitments and in anticipation of committing another \$2.5 million towards 2020 capital grant applications, the remaining balance of the SDR is \$454,227.

| | |
|--------------------------------------|-------------------|
| Social Development Reserve Balance | \$7,069,227 |
| Existing Funding Commitments | (\$4,115,000) |
| Anticipated 2020 Funding Commitments | (\$2,500,000) |
| Remaining Balance | \$ 454,227 |

In recent years there have been housing projects to which capital grants had been committed for both affordable rental and ownership units that were either never built or were sold/rented to households that did not meet the HIP’s maximum income thresholds. In each case, Administration has notified the applicant that it has withdrawn its funding commitment and released the associated funds back to the SDR. These uncommitted funds then form part of the balance of the SDR and can be used for capital grant allocations within HIP limits in future years.

Social Development Reserve Funding Source

The SDR currently does not have a source of funding to implement the HIP beyond 2021. Administration has identified general tax revenues as the most reliable and sustainable source of funding for the SDR and will be preparing a budget request through the 2021 budget process.

It is anticipated that in 2020, applications for capital funding through the HIP will once again exceed the SDR limit of \$2.5 million and that the bulk of these units will be in affordable rental projects. A decision by City Council to increase funding above \$2.5 million for the SDR for 2019 sets a precedent that could increase financial pressure in 2020. Increasing the 2019 allocation also reduces the flexibility in the SDR, ensuring that a larger portion of the 2021 allocation will have to come from tax revenues.

Policy/Strategic Impact

The City's Comprehensive Housing Strategy (CHS) addresses housing needs and issues along a continuum from homelessness to home ownership. A guiding principle of the CHS is that "Policy and resources of government should be aimed at areas where there are gaps in the private market's ability to address housing needs, namely the needs of low and moderate income households, and the needs of homeless individuals should be prioritized."

The CHS established a housing target of 70 per cent ownership and 30 per cent rental households. This was approximately the split in the 2016 census for Regina.

The CHS includes a recommendation to "Increase the maximum yearly drawdown of the Social Development Reserve for affordable housing capital contributions to \$2.5 million in 2013, and incrementally over the next five years to \$3 million". Administration has not yet recommended an increase to \$3 million because the amount requested through eligible applications has averaged closer to \$2 million annually since 2013.

With requests exceeding \$2.5 million in 2019 and expected to exceed the maximum again in 2020, Administration will continue to monitor the pressure on the program. If the program continues to be oversubscribed, Administration will provide Mayor's Housing Commission and City Council with options to increase this maximum in future budget requests and HIP reviews.

OTHER OPTIONS

City Council amends the HIP to increase the City's 2019 commitment to \$2.92 million to support all 2019 Capital Grant applications

Under this option, the City would commit \$300,000 towards the three North Ridge Development applications as well as increasing its funding commitment for affordable rental application 19-CHIP-09 (Gilles Holdings Inc.) by \$120,000 through an amendment to the HIP adding:

"8.1 Special Exception

"Notwithstanding Section 8.0 of this Policy, the maximum yearly expenditure from the Social Development Reserve shall be \$2,920,000 in the year 2019."

There is risk that this option could set a precedent for future applications that are refused under similar circumstances. This option also limits the capacity of the SDR moving forward.

For transparency and fairness, should Council wish to provide additional funding, Administration would recommend including application 19-CHIP-09 (Gilles Holdings Inc.) as they scored higher on the HIP scorecard and did not receive full funding.

COMMUNICATIONS

North Ridge Developments and Gilles Holding Inc. will receive a copy of the report and notification of the meeting to appear as a delegation.

DISCUSSION

The HIP delegates authority to determine compliance of the eligibility criteria for capital and tax incentive programs to the Executive Director of City Planning and Community Development. As the received request from North Ridge Developments would push 2019 funding above the \$2.5 million maximum established in the HIP, City Council would be required to amend the policy should it decide to support the request.

The increase in funding pressure in 2019 can be attributed to an increase in the size of projects approved. In previous years the average affordable housing development approved under the HIP had approximately 13 units; wherein, in 2019 the average project had 24 units.

Request from North Ridge Developments

Administration recommends that the request from North Ridge Developments be denied. There is a risk that support of the request will set a precedent for future applications that are initially refused under similar circumstances. In addition, the funding is requested for affordable home ownership grants (e.g. down payment assistant grants) which are not identified as a critical housing need at this time given:

- The dwelling units that would be funded are priced up to \$300,000. There are approximately 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 these applications, without a subsidy from the City.
- The cost of entry-level housing (e.g. townhouses and apartment condominiums) has 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 days.

Administration also reviewed North Ridge Development's request to directly reassign capital grants that had been committed to other housing developers for projects that were not built or did not comply with the program's affordability criteria. As discussed in the Financial

Impact section of this report, the City's practice is to return committed funds from unsuccessful projects back to the SDR so that they can be recommitted to new affordable housing projects based on the HIP's evaluation criteria include the scorecard. To maintain transparency and consistency in how funds are committed through the HIP, Administration does not recommend changing this practice.

North Ridge Developments currently has 18 unused capital grants committed by the City to its housing developments through past funding applications. Administration is typically flexible in allowing developers to reallocate grants they have already secured to units within their other developments so long as affordability criteria is met. This is an option for North Ridge Developments.

Affordable Home Ownership Capital Grant Program

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 as well as access Provincial funding through the Affordable Home Ownership Program (AHOP). Since 2013 the Government of Saskatchewan ended AHOP and there has been a significant increase in the supply of entry level housing available on the market, including newly constructed condominium units.

On January 29, 2020 City Council approved amendments to the HIP, including a one-year suspension of the affordable home ownership capital grant program for private sector developers only. This suspension will prevent North Ridge Developments from resubmitting their applications in 2020.

DECISION HISTORY

There have been no previous decisions related to this recommendation.

The recommendation in this report requires City Council approval.

Respectfully submitted,



Laurie Shalley, Director, Parks, Recreation & Cultural Services

Respectfully submitted,



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

2/25/2020

Prepared by: Charlie Toman, Senior City Planner

ATTACHMENTS

Appendix A - North Ridge Developments Letter to the City Clerk

Appendix B - RRHBA Letter to the City Clerk

Appendix C - Avana Enterprises