



Property Tax & Utility Affordability Program

Date	May 25, 2022
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Assessment & Property Revenue Services
Item No.	EX22-67

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Authorize the City Manager, or designate, to implement the Low-Income Municipal Property Tax Deferral Program for senior citizens or people living with disabilities without interest as described in Appendix A.
2. Authorize the City Manager, or designate, to implement the Water Utility Rebate Program for senior citizens and/or people living with disabilities as described in Appendix B.
3. Authorize the City Manager, or designate, to implement the High-Efficiency Water Retrofits Program for low-income senior citizens or low-income people living with disabilities as described in Appendix C.
4. Delegate authority to the Executive Director, Financial Strategy & Sustainability, or designate, to negotiate, award, and enter into contracts, including any later amendments to the contracts, with plumbing contractors approved through a High-Efficiency Water Retrofits Program Request for Supplier Qualification (RFSQ) to be completed by end of Q4 2022.
5. Direct the City Clerk to execute contracts with approved plumbing contractors upon review and approval of the City Solicitor.
6. Approve a 0.5 per cent utility rate increase in the 2023 budget to finance the Water Utility Rebate Program.

7. Instruct the City Solicitor to prepare amendments to Bylaw No. 8942, being *The Regina Water Bylaw*, for consideration with the 2023 Budget to apply a \$0.01 daily fee on all water utility bills to finance the High-Efficiency Water Retrofits Program.
8. Instruct the City Solicitor to prepare a bylaw to establish the Low-Income Municipal Property Tax Deferral Program as described in Appendix A with property deferrals to commence in January 2023.
9. Instruct the City Solicitor to prepare amendments to Bylaw 2003-69, being *The Regina Administration Bylaw*, to remove penalties from deferred municipal taxes and remove conflicts between the Low-Income Municipal Property Tax Deferral Program and the City's Tax Installment Payment Plan (TIPPS) and Penalty Reduced Payment Plan (PRPP).
10. Instruct the City Solicitor to prepare amendments to Bylaw 8942, being *The Regina Water Bylaw*, to allow a \$0.66 daily credit and a \$1.32 daily credit to be applied to water utility bills for program applicants who meet the criteria specified in Appendix B.
11. Instruct the City Solicitor to prepare any other amendments to Bylaws required to give effect to the recommendations in this report.
12. Remove items CR21-130 and CR21-141 from the outstanding items list for City Council.
13. Approve these recommendations at its meeting on June 1, 2022.

ISSUE

At its meeting on September 29, 2021, Council requested Administration develop a municipal property tax deferral program for low-income senior citizens and people living with disabilities for City Council's consideration by Q2 of 2022.

At its meeting on October 13, 2021, Council requested Administration develop a Water Utility Rebate Program and a High-Efficiency Water Retrofits Program for low-income senior citizens and people living with disabilities for Council's consideration by Q2 of 2022.

This report responds to these requests and presents options for property tax and water utility affordability programs. The recommended programs are outlined in the Appendices as follows:

- Appendix A – Low-Income Municipal Property Tax Deferral Program.
- Appendix B – Water Utility Rebate Program.
- Appendix C – High-Efficiency Water Retrofits Program.

IMPACTS

Financial Impact

The total cost of the recommendations is approximately \$860,000. The breakdown of this cost is shown in Table 1.

Table 1: Program Cost

Program	Estimated Annual Cost
Low-Income Municipal Property Tax Deferral Program	\$0
Water Utility Rebate Program	\$410,000
High-Efficiency Water Retrofits Program	\$300,000
Program Administration (including two FTE)	\$150,000
Total	\$860,000

The Low-Income Municipal Property Tax Deferral Program does not have direct costs associated with the benefits as property taxes are still owing with the taxes paid at a later point in time. Experiences from other jurisdictions that have implemented deferral programs, including Saskatoon and the Province of Saskatchewan, suggest deferral programs have low program uptake. Given that, the impact on short term cashflow is expected to be minimal and will be absorbed within the City's positive cash flow position.

The Water Utility Rebate Program is expected to cost \$410,000 per year in rebates. This would be financed through a 0.5 per cent utility rate increase starting in 2023, a cost of approximately \$0.64 per month for an average residential utility customer.

The High-Efficiency Water Retrofits Program is budgeted at \$300,000 per year. This would be financed through a \$0.01 per day charge on all water utility bills starting in 2023.

The administration of all three programs requires a total of two additional FTEs at a total additional cost of \$150,000 per year to administer. As these programs cross between property taxes and the water utility, these FTEs will be considered with the 2023-2024 General Operating Budget and the 2023-2024 Utility Operating Budget.

Policy/Strategic Impact

The purpose of the proposed programs is to improve property tax and water utility affordability for low-income households with senior citizens and low-income households with people living with disabilities. These households often live on fixed incomes, have fewer opportunities to increase their income than the general population and experience greater non-discretionary expenditures such as increased medical costs.

Affordability programs can help achieve equity and well-being goals identified in *Design Regina: The Official Community Plan, Bylaw No. 2013-48* (OCP) and the *Community Safety & Well-being Plan* (CSWP). The goals and principles in these documents informed the following program principles:

- Equity: The programs recognize that different people experience different challenges and have different needs. The programs aim to improve equity for low-income households with senior citizens and people living with a disability by making property taxes and water services more affordable.
- Inclusion: The programs are committed to being as accessible as possible within the scope of eligibility and giving program applicants and participants opportunities to provide meaningful feedback that would shape future policy and program developments.
- Stability: The programs are committed to providing benefits in a way that is predictable for both participants and the City, and which are sustainable within the community.

Environmental Impact

The High-Efficiency Water Retrofits Program aligns with the City's goal to reduce water and wastewater consumption by 10 per cent stated in the *Energy & Sustainability Framework*.

Legal Impact

Legislative authority for the Low-Income Municipal Property Tax Deferral Program for senior citizens or people living with disabilities is subsection 244(1)(c) of *The Cities Act*. Authority to enact the program is subsections 244(2)(e)(i) and 244(2)(e)(ii) of *The Cities Act*. These clauses require the Tax Deferral Program to be in the interests of the community and public notice of the program to be provided. The program is in the community's interest of improving equity. Public notice of the program has been provided.

Legislative authority for the Water Utility Rebate Program and High-Efficiency Water Retrofits Program for senior citizens or people living with disabilities is derived from sections 8 and 17 of *The Cities Act*, *The Regina Water Bylaw, No. 8942* and *The Wastewater and Storm Water Bylaw, 2016, No. 2016-24*.

Accessibility Impact

The recommendations enable low-income senior citizens and low-income people living with disabilities, to stay in their homes longer by improving property tax affordability and improve access to safe water for eligible households by improving water affordability. Households that rent their

homes are not eligible for the Low-Income Municipal Property Tax Deferral Program but may be eligible for the Water Utility Rebate Program and High-Efficiency Water Retrofits Program if the household has its own water utility account.

Eligibility criteria were harmonized, and a single application process developed with the Affordable Access Program and the approved Lead Service Connection Payment Plan Program to improve program accessibility.

One of the FTEs will provide enhanced service to customers who require extra assistance in applying for the programs.

OTHER OPTIONS

Alternatives to the recommended program outlined in Appendices A, B and C, are presented below.

Low-Income Municipal Property Tax Deferral Program Options

Option 1: Charge an interest rate sufficient to offset inflation on deferred property taxes.

An interest rate of 1.7 per cent would be charged on the deferred amounts. This rate is based on the 10-year average annual inflation for Regina. This option preserves the real value of deferred taxes over time but would cause program participants to reach the assessed value threshold more quickly than they would if interest was not charged.

This approach is inconsistent with the approach taken for the approved Lead Service Connection Payment Plan Program which does not charge interest. It is also inconsistent with the deferral programs offered by Saskatoon and the Province of Saskatchewan.

Water Utility Rebate Program Options

Option 2: Implement a Single-Tier Water Utility Rebate Program.

The City Manager would be authorized to implement a Water Utility Rebate Program as described in the discussion section, only with a single-tier rebate instead of a two-tier rebate. A single-tier rebate would provide \$20 per month to all eligible households. This approach ensures the benefit amount does not make eligible households significantly better off than households with incomes that are just over the Low Income Cut-Off and provides an equal amount to eligible households but does not account for the exponentially higher degree of water unaffordability experienced by households with very low income.

The cost of a single-tier rebate is slightly less than a two-tier rebate, approximately \$385,000 per year, subject to the same qualifications described for the recommended approach in the discussion section. As with the recommendation, this also equates to a 0.5 per cent utility rate increase, a cost of approximately \$0.64 per month for an average residential utility customer.

High-Efficiency Water Retrofits Program Options

Option 3: Implement a reimbursement-based High-Efficiency Water Retrofits Program.

In this option, eligible households could apply for reimbursement of the cost of any high-efficiency water fixtures they purchase and have installed, up to a maximum amount. The reimbursement would require pre-approval. The reimbursement would be applied as a credit on the participant's monthly water utility bills to avoid negatively impacting the incomes of social assistance recipients. The program would have a budget of \$300,000 per year. The funds would be raised using a dedicated charge of \$0.01 per day on all water utility bills.

This option is simpler to administer than the recommended approach and does not require participants to utilize a third party vendor but comes with several disadvantages and risks.

- It would likely have low uptake as low-income households are often unable to afford the upfront costs of installing high-efficiency retrofits. This was indicated in the engagement with Community-Based Organizations.
- Participants may not apply for pre-approval and would expect the City to reimburse them even if they are not eligible.
- The work done may not be of high quality.
- Participants may sell a fixture for which they are reimbursed without installing it in their home.

Option 4: Implement a High-Efficiency Water Retrofits Program with voucher and reimbursement components (Recommendation + Option 3).

This option would include both the recommended high-efficiency water retrofits program based on vouchers and allow participants to apply for reimbursement if they purchase the fixtures and have them installed.

This option offers more flexibility for participants to purchase their own fixtures than the recommended option and addresses some of the risks associated with a pure reimbursement program. Participants would still need to apply to the program and receive a voucher which could be used to hire an approved plumbing contractor or to receive reimbursement. Compared to Option 3, this approach eliminates the problem of upfront costs for those unable to afford them and better manages expectations for what work is eligible for reimbursement. Only installation work done by an approved plumbing contractor would be eligible for reimbursement, reducing the risks of low-quality work.

There is still a risk the program may encourage the development of a secondary market for high-efficiency fixtures. This approach is more complicated to administer than the recommended approach because of the need for multiple payment processes.

COMMUNICATIONS

Section 244(2)(e)(ii) of *The Cities Act* requires public notice to be given at least seven days before the Executive Committee meeting in which a report and Bylaw concerning deferrals is considered. Notice was provided in advance of the Executive Committee meeting on May 25 through advertisement in the Leader Post, on public notice boards, and on the City's website.

If Council approves any affordability programs, Administration would develop a communications strategy to increase awareness of the programs. An engagement with Community-Based Organizations (CBOs) identified several key features of a communication strategy for these programs.

- Multiple channels of communication (e.g., radio, social media, bus advertisements, tax and utility bill inserts, etc.) to reach a wide audience.
- Several stages of communication (i.e., before and during implementation) to ensure potential applicants are aware of the upcoming programs.
- Cooperation with CBOs to promote awareness through their communication channels (e.g., email lists, newsletters, word of mouth, etc.).

Communications would also promote SaskEnergy's Tune-Up Assistance Program and SaskPower's Energy Assistance Program which help low-income households improve their power, water and energy efficiency. SaskPower and SaskEnergy would promote the City's affordability programs to their Regina customers. The costs for communications would be covered through the proposed program budgets.

DISCUSSION

Background

In Fall of 2021, Administration presented two reports to Council, one on Tax Policy and Affordability and the other on Utility Affordability. Council requested Administration develop options for a Municipal Property Tax Deferral Program, a Water Utility Rebate Program and a High-Efficiency Water Retrofits Program for low-income senior citizens and people living with disabilities. These groups tend to live on fixed incomes and have limited opportunities to increase their income. Estimates based on 2016 Census¹ data indicate that in 2015, approximately 11.9 per cent (7,825) of owned households in Regina experienced shelter unaffordability and approximately 8.2 per cent (7,745) of all households in Regina experienced water unaffordability. Shelter and water unaffordability estimates for owned households with senior citizens were 8.1 per cent (1,875) and 7.0 per cent (1,525), respectively. There was no data available to estimate shelter and water

¹ Estimates are based on 2016 Census data because data from the 2021 Census is not yet available.

unaffordability for households with people living with disabilities.

This report discusses program design options for property tax and water utility affordability programs, as requested by Council. As a note on scope, the options presented are targeted toward low-income households with senior citizens or people living with disabilities living in the household, or for further clarity, those individuals living in the household do not have to be the property owners and utility account holders for the household to qualify for the programs. This approach helps households with senior citizens and people living with disabilities because they have higher-cost needs and increased non-discretionary costs such as those for medical care.

General Components of Affordability Programs

Specific requirements differ between the programs, but in general they use the following eligibility criteria:

- Low-income status: households would be considered to have low income if gross household income (total before-tax income for each person in the household over the age of 18 years) is less than or equal to the Before-Tax Low Income Cut-Off (LICO) for the appropriate household size published by Statistics Canada for the most recent year.
- Senior citizen status: a person would be considered a senior citizen if they are age 65 years or older or if they would be age 65 years or older in the year in which they receive benefits.
- Disability status: a person would be considered to have a disability if they can present documentation stating they have a significant and enduring disability that is permanent in nature and/or have temporary disability that impacts capacity to attain full time employment. Acceptable proof includes Disability Impact Assessments, letters from doctors, a CNIB membership card, or proof of disability-related income (e.g., CPP Disability, insurance payments, etc.).

In order to be eligible for the programs, the household applying is required to meet the low-income status and is also required to have a senior citizen or person living with a disability living in the household as their principal residence.

Low-Income Municipal Property Tax Deferral Program

Property Tax Affordability Programs can help reduce shelter costs in the short term, making shelter more affordable. Property taxes account for a small portion of overall shelter costs alongside rent, mortgage payments, condominium fees, household maintenance, the costs of electricity, heat and water and other municipal services. While property tax deferrals do not reduce the cost of shelter in the long term, as the deferred amounts are eventually due, they allow property owners to shift the cost of property taxes to a point in time when they are better able to afford them. This typically occurs when property owners sell their home and can use the equity to pay their deferred taxes.

In the recommendation described in Appendix A, applicable property owners would be allowed an annual deferral of either the incremental increase in municipal taxes or up to \$600 or \$1,200 in

municipal property taxes, depending on the value of the property. The total deferred taxes would not become due until transfer of title, or upon other conditions described in Appendix A.

Water Utility Rebate and High-Efficiency Water Retrofits Programs

Water utility rebates and high-efficiency water retrofits can improve water affordability in two ways. Rebates reduce the cost of water usage directly and can help offset the base charges in Regina's utility rate structure. Providing retrofits of high-efficiency toilets, showerheads, faucets and faucet aerators can improve affordability by improving water use efficiency with significant savings over the long term.

The recommended Water Utility Rebate Program described in Appendix B would apply a fixed rebate to participants' water and wastewater utility charges at the time of billing. Participants would need to have their own water utility accounts to be eligible. The recommendation is for a two-tiered rebate where eligible households would receive a rebate on the daily base charges based on their level of income.

The following daily rebate rates would be added as Schedule D of the Water Bylaw.

- Standard daily rebate: \$0.66.
- Increased daily rebate: \$1.32 (where annual household income is less than or equal to half of the eligibility threshold).

The total rebate will be approximately \$20 per month, or \$40 per month for households with very low income. This approach accounts for the exponentially higher degree of water unaffordability experienced by households with very low income.

The recommended High-Efficiency Water Retrofits Program described in Appendix C would provide eligible households with vouchers that could be used to obtain water efficiency audits and high-efficiency water retrofits for toilets, showerheads, faucets and faucet aerators from plumbing contractors approved by the City. After completing the work the contractors would then redeem the voucher for payment by the City. Participants would need to have their own water utility account to be eligible and participants who rent their homes would need to obtain consent from the property owner to receive retrofits. Administration would engage with social housing corporations to develop a process by which they could grant blanket approval for their tenants to participate in the High-Efficiency Water Retrofits Program.

Delivering the program through vouchers overcomes the barrier created by the up-front cost of retrofits, which low-income households often cannot afford, and ensures the work is performed by quality contractors. This approach is based on SaskEnergy's successful Tune-Up Assistance Program.

The requirement to have a water utility account facilitates program administration and ensures the savings accrue to the participants who own or rent their homes. If the programs were made available to tenants in multi-residential properties, where there is a single water meter for the complex and water costs are included in rent, the savings would accrue to the property owners, and it is unlikely they would be passed on to the tenants through reduced rent. It would be possible to open eligibility to these properties but the administrative effort for both the City and property owners would be significant to ensure the savings are passed on to tenants. While it may be possible to extend eligibility to tenants of social housing corporations as these organizations have capacity built in to monitor tenant income eligibility criteria, it would be administratively burdensome to evaluate age and disability status.

Potential Uptake

Approximately 1,900 households were estimated to be eligible for the Low-Income Municipal Property Tax Deferral based on the number of owned households with senior citizens reporting spending 30 per cent or more of income on shelter costs.

Approximately 1,500 households were estimated to be eligible for the Water Utility Rebate Program, based on the number of low-income households with senior citizens. This estimate is based on the After-Tax LICO rather than the Before-Tax LICO as there is no data available to estimate the number of households below the Before-Tax LICO.

Predicting uptake for a retrofit program cannot be done in the same way as water utility rebates as there is no data available to estimate potential program uptake. Discussions with other utilities with voucher programs suggest annual uptake for retrofits programs depends on time and program design. Uptake is often low for the first few years of operation but can increase substantially over time as more people become aware of the program. Programs that reduce or eliminate upfront costs for participants and other barriers to participation tend to be more successful. While the exact amount of the vouchers is to be determined through the RFSQ process, the value of each voucher will be set to cover the cost of fixtures and installations, including minor repairs where applicable. Actual funding needs will vary by property and Administration will monitor utilized funding and administer vouchers accordingly. The proposed budget for high-efficiency water retrofits is estimated to service between 100 and 150 households annually. The program would be based on a “first come, first served” principle. If there are more eligible applications received than funding available in the year, applications would go on a wait list for funding in the following year.

There is uncertainty in the estimates for each program for the following reasons.

- Potential uptake for the programs was estimated based on 2016 Census data, the most recent year for which data was available.
- The number of households with people living with disabilities is not available at the city or census-metropolitan-area level.
- The number of households with senior citizens and people living with disabilities has likely

increased with population growth and due to the increasing average age of the population since the 2016 Census was conducted.

- The economic impacts of COVID-19 have likely increased the demand for affordability programs due to decreased economic activity, which may reduce household incomes, and inflation.

Engagement

Two engagements were conducted: one with CBOs advocating for or providing services to senior citizens, people living with disabilities and low-income people generally, and another with plumbing contractors in Regina.

The engagement with CBOs was done through three online focus groups on February 1, 2 and 4. Each session focused on a different group: senior citizens, people living with disabilities and low-income people. Organizations representing Indigenous peoples, newcomers, the 2SLGBTQIA community, and women were also engaged to account for factors affecting those groups. A total of 15 organizations participated. Participants were consulted on the proposed application processes, program eligibility, communication and awareness, indicators of success and possible roles for CBOs in raising awareness of the programs and helping applicants with the application process. A detailed discussion of the results from this engagement can be found in Appendix D: Property Tax and Water Utility Affordability Programs Engagement Results.

The second engagement with plumbing contractors was done through an online focus group on March 25. Twenty five plumbing contractors that provide residential services were invited to participate through email. Three contractors attended the session. The goal of the engagement was to gain insight on the viability of a Voucher-Based High-Efficiency Retrofits Program, contractors' level of interest in participating in such a program and certain items that would be needed in a Request for Supplier Qualification (RFSQ) competition to select vendors for the program if it is approved. Attendees were also asked several take-away questions concerning pricing for work, insurance, response times, warranties and disputes. The take-away questions were also sent to several contractors who expressed interest in the program but were unable to attend the discussion session.

A detailed discussion of the results from this engagement can be found in Appendix E: High-Efficiency Water Retrofits Program Engagement Results.

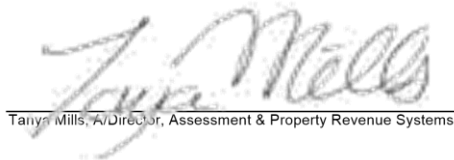
DECISION HISTORY

On September 29, 2021, City Council requested Administration develop a Municipal Tax Deferral Program for low-income seniors and people living with disabilities for City Council's consideration by Q2 of 2022 (CR21-130).

On October 13, 2021, City Council requested Administration develop a Water Rebate Program and a High-Efficiency Retrofit Program for low-income seniors and people living with disabilities for Council's consideration by Q2 of 2022 (CR21-142).

Respectfully submitted,

Respectfully submitted,



Tanya Mills, A/Director, Assessment & Property Revenue Systems

4/26/2022



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

5/12/2022

Prepared by: Brenda Hutch, A/Manager, Property Revenue Services

ATTACHMENTS

Appendix A - Low-Income Municipal Property Tax Deferral Program

Appendix B - Water Utility Rebate Program

Appendix C - High-Efficiency Water Retrofits Program

Appendix D - Property Tax and Water Utility Affordability Programs Engagement Results

Appendix E - High-Efficiency Water Retrofits Program Engagement Results