

## Housing Incentives Policy - Minor Updates

<b>Date</b>	March 10, 2021
<b>To</b>	Community Wellness Committee
<b>From</b>	City Planning & Community Development
<b>Service Area</b>	Parks, Recreation & Cultural Services
<b>Item No.</b>	CWC21-3

### RECOMMENDATION

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The Community Wellness Committee recommends that City Council:

1. Approve minor revisions to the City of Regina *Housing Incentives Policy*, as proposed in Appendix A.
2. Approve these recommendations at its meeting on March 31, 2021.

### ISSUE

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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.

Administration recommends minor amendments to the HIP to address feedback provided by non-profit and private sector housing providers, and improvements identified by Administration to improve the clarity of the policy. The proposed minor amendments refine the City's existing incentives to effectively address current housing needs, support the development of new affordable rental housing and permanent supportive housing.

If approved, these amendments will be in place for applications received in 2021. Note that concurrent with this report, the Community Wellneses Committee and City Council will be considering recommendations on the establishment of a new Permanent Supportive Housing Operating Grant to support the Plan to End Homelessness for Regina. Based on

the direction provided for that new initiative, Administration may be submitting a report in Q4 2021 with additional amendments to the HIP.

## IMPACTS

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### Financial Implications

The HIP is funded through the Social Development Reserve (SDR). Section 8.0 of the HIP states that the maximum yearly expenditure from the SDR shall be \$2.5 million per year. The recommended minor amendments do not propose to increase or decrease this amount. As illustrated in Appendix B, due to strong uptake of capital incentive programs, the City reached the \$2.5 million threshold in both 2019 and 2020. Administration anticipates receiving HIP applications to the maximum of \$2.5 million once again in 2021.

One of the proposed amendments, which is described in the discussion section of this report, allows new affordable rental housing units to qualify for a property tax exemption where applicants are refused capital grants due to lack of funding. If approved, this amendment will moderately increase the number of exemptions approved under the HIP.

### *Social Development Reserve*

As illustrated in the table below, when taking into consideration the City's funding commitments, and in anticipation of committing another \$2.5 million towards 2021 capital grant applications, the remaining balance of the SDR will be \$319,228 by the end of 2021.

Social Development Reserve Balance	\$3,694,228
Transfer through 2021 Budget	\$2,500,000
Existing/Projected Funding Commitments	(\$5,875,000)
<b>Remaining Balance</b>	<b>\$319,228</b>

### *Preferred Long Term, Sustainable SDR Funding Source*

Administration has identified general tax revenues as the most reliable and sustainable source of funding for the SDR. The preferred budgetary approach is to establish a dedicated mill rate increase of 0.25 per cent for four consecutive years, which would generate approximately \$2.65 million in year four. To ensure that there is adequate funding to continue to implement the HIP before a dedicated mill rate generates \$2.65 million, Administration would identify interim funding sources, which may include transfers from other reserves or other found savings. A similar funding model has been used by the City for the Stadium Project and Residential Roads Renewal Program.

The above was the preferred long-term funding solution Administration was originally going to bring forward in the 2021 budget prior to COVID-19; however, to limit additional financial strain for Regina residents impacted by the economic fallout of COVID-19, an interim funding source will be used to continue to fund the HIP in 2021.

Administration will bring the dedicated mill rate discussion to City Council for the 2022 budget process.

#### Policy and/or Strategic Implications

##### *Design Regina: The Official Community Plan*

The *Design Regina: The Official Community Plan Bylaw 2013-48* (OCP) includes policies and direction related to housing and financial incentives that have been considered by Administration through the update and revision process. Applicable policies include the need for diverse housing options, directing at least 30 per cent of new population growth to existing urban areas, the need to support non-profit housing providers through incentives and collaborating with all levels of government and community partners to advance housing initiatives.

##### *Comprehensive Housing Strategy*

The *Comprehensive Housing Strategy* (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.

#### **OTHER OPTIONS**

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Alternative options would be:

1. Approve the amendments in part by removing individual proposed amendments from the policy numbered separately in Appendix C to allow for ease of reference.
2. Refer the report back to Administration. Should City Council have specific concerns with the report (and proposed amendments), it may refer the report back to Administration and direct that it be reconsidered by Community Wellness Committee or brought directly back to Council following further review by Administration. It is important to note that referring the report back to Administration would delay the implementation of any amendments to the HIP to 2022.
3. Deny the proposed amendments.

#### **COMMUNICATIONS**

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Prior to finalizing the recommendations, Administration asked housing stakeholders to

review the proposed revisions to the Housing Incentives Program and provide their feedback before the report is finalized. Administration received one letter and one e-mail expressing no objections to the proposed amendments. The letter is provided in Appendix D.

If the revised HIP is adopted, Administration will ensure that housing stakeholders (including housing providers and past recipients of housing incentives) are notified and that information about the incentive program is available and accessible online and in other formats.

## **DISCUSSION**

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### Background

Following the adoption of the *Comprehensive Housing Strategy* (CHS), the HIP was updated in 2013 to implement recommendations related to housing affordability and availability. The HIP underwent comprehensive reviews in 2015 and 2019 that updated the incentive program based on the city's shifting housing situation, the type and location of housing developments that have utilized incentives, and input received from internal and external stakeholders. The 2019 update included:

- Creation of a Rental Repair Property Tax Exemption Program that aligns with the National Housing Strategy.
- Introduction of an Intensification Levy Rebate.
- Suspended capital (e.g. down payment assistance grants) and property tax incentives programs for affordable home ownership for private sector developers
- Expanded the property tax exemption program for new market ownership units available in the City Centre to include the North Central & Heritage neighbourhoods.
- Introduced capital grant for projects that include on-site support suites (one per project).

A summary of the current municipal incentive programs and funding amounts provided through the HIP is summarized in Appendix E.

During this review, City staff received feedback on additional revisions to the HIP from stakeholders and members of City Council that were flagged to be given additional consideration through a report to be submitted in Q1 2021. The additional revisions generally relate to:

- Expedited review of planning/building approvals for affordable housing projects.
- Timing of when an Applicant receives capital grant payments.
- Suspension of home ownership incentives for private sector developers.
- Length of time an affordable rental unit must maintain below-market rents to qualify for capital incentives.
- Committing capital funding before a project has obtained any required zoning approvals.

## Recommended Minor Amendments

This section of the report describes the key minor revisions to the HIP. A summary table of each revision proposed, including a brief rationale, is included in Appendix C. The objective of the recommended minor amendments is to ensure they effectively implement the direction provided by City Council during the last comprehensive update to the HIP in 2019.

### **1. Allow capital grant payment prior to occupancy of affordable rental projects under some circumstances.**

#### *Current State*

In April 2020, as part of the City's response to the COVID-19 pandemic, City Council approved an amendment to the HIP that relaxed the requirement that an affordable rental housing project approved for capital funding must be completed and occupied before the grant is paid out. The intent of the amendment was to support local affordable rental housing developers that have projects under construction and respond to the COVID-19 pandemic by reducing their borrowing costs. In recent years Administration has also received feedback from local housing providers that providing earlier capital grant payments significantly reduces their borrowing costs, making the creation of new affordable rental units more viable.

To reduce the risk of an affordable housing provider either not completing the project or failing to meet the HIP's affordability requirements after receiving the grant, the HIP provides discretion to the Executive Director of City Planning & Community Development to only consider requests where the development is 'near completion' and the applicant has already entered into a legal agreement with the City setting out the terms and conditions of receiving the grant.

#### *Recommended Amendment*

Administration recommends that the April 2020 amendment be made permanent with additional clarification on what criteria will be used to evaluate whether a project could be considered 'near completion.'

### **2. Increase capital funding available for Projects with multiple On-Site Support Suites.**

#### *Current State*

As part of the review in 2019, the HIP was amended to introduce a capital grant of up to \$20,000 for affordable housing developments, which included an On-Site Support Suite: a dedicated space within a building where tenants can access a range of support services from addictions counselling to job and life-skills services. The introduction of this grant was in response to housing providers' feedback and to align with the Plan to End Homelessness by assisting hard-to-house tenants in their transition from temporary to permanent housing. Note that the grant is to cover only the capital costs of including the support suite within the building, not the costs of operating the support services.

The HIP currently limits an applicant to one On-Site Support Suite per project. Since being introduced, Administration has received feedback from housing providers that larger permanent

supportive housing developments can require several support suites to provide the intensive, round-the-clock supports required to help individuals stay housed.

*Recommended Amendment*

Administration recommends the HIP be amended to increase the number of eligible on-site support suites per project to:

- 1 On-Site Support Suite Grant for 1 - 20 unit projects
- 2 On-Site Support Suite Grants for 20 - 40 unit projects, and;
- 3 On-Site Support Suite Grants for Projects with 40+ units.

**3. Allow retroactive approval of an On-Site Support Suite grant under some circumstances**

*Current State*

Prior to the introduction of grants for On-Site Support Suites in 2020, there were several instances where the City had committed a capital grant for a new affordable rental unit which the Applicant later needed to convert into an On-Site Support Suite in order to provide wrap-around support services such as counseling to their tenants. In this situation, Administration is unable to pay out the capital grant committed to the converted unit because at the time of approval On-Site Support Suites were not eligible for capital incentives.

*Recommended Amendment*

To avoid a housing provider from having to reapply under the HIP for a capital grant for the On-Site Support Suite, Administration recommend the HIP be amended to allow the Applicant to receive payment of the original capital grant commitment for that unit.

**4. Increase requirement that affordable rental units remain under maximum rental rates from 5 to 10 years beginning in 2022.**

*Current State*

Under the HIP, an affordable rental project must be rented at below maximum rental rates for at least five years to qualify for capital incentives. During consideration of the 2019 HIP Review, City Council directed Administration to explore whether this should be extended to 10 years to provide a greater community benefit in exchange for the grant.

In investigating the impact of extending the affordability requirement to 10 years, Administration found that:

- Other Canadian municipalities surveyed typically required below market rental rates be maintained for 10+ years in exchange for financial incentives
- Since 2013 the majority (89 per cent) of new affordable rental units funded under the HIP are also under Provincial and/or Federal funding agreements that require the units to maintain below market rental rates for 10+ years.
- The current five-year affordability requirement was established to match the maximum period of a property tax exemption under the HIP. Under *the Cities Act*,

the City is restricted from exempting property taxes for longer than five years for new affordable housing developments.

*Recommended Amendment*

Based on this, Administration recommends that the HIP be amended to increase length in which an affordable rental unit must maintain below market rents, from five to 10 years beginning in 2022. Administration recommends this change come into effect in 2022 to provide local housing providers advanced notice so that they have time to adjust their future development plans accordingly.

**5. Maintain requirement that zoning approval is required prior to capital funding commitment but provide applicants with letters confirming eligibility.**

*Current State*

The HIP currently requires that an affordable housing development must have an approved Development or Building Permit before the City will commit capital funds to the project. The rationale for this requirement is to ensure that an affordable housing project is 'shovel ready' and does not require land use approval processes (e.g. rezoning) which requires public consultation and City Council approval.

The City received a request from the National Affordable Housing Corporation that this requirement be changed to allow Administration to provide short-term conditional funding commitments prior to projects receiving zoning approval. The request noted that the City's funding commitment to a project is critical for Applicants to secure financing through CMHC programs and that the time it takes to obtain zoning approval can delay securing this financing, thereby increasing borrowing costs.

*Recommended Amendments*

Administration has reviewed the request and does not recommend implementing the National Affordable Housing Corporation's proposed approach as early approval may be perceived as influencing or undermining the outcome of the public land use approval process. The HIP's current requirement of a Development or Building Permit ensures that funding is only committed to projects that are approved to proceed. This approach is consistent with the practice of other municipalities surveyed during jurisdictional research.

In response to the concerns expressed by the National Affordable Housing Corporation, Administration recommends that:

- The City provide Applicants with letters supporting CMHC funding/financing applications, including confirmation that the Project is 'eligible' for financial incentives under the HIP.
- For situations where a development permit can reasonably be expected, the HIP requirement for a 'Development or Building Permit' will be replaced with confirmation from Planning & Development Services that the Project complies with the Zoning Bylaw. This would allow funding commitments to be made for applicants who may not receive their

development permit yet or their project does not require a Development Permit.

The National Affordable Housing Corporation have advised that they are in support of this approach.

## **6. Update the definition of a Non-Profit Housing Provider.**

### *Current State*

The HIP provides funding priority and a higher per unit capital grant for affordable rental housing to non-profit housing providers in recognition that these organizations traditionally have a mission to create affordable housing and maintain it over the long term.

### *Recommended Amendment*

On the home-ownership side, the HIP continues to fund non-profit housing developers that build ownership units, such as Habitat for Humanity. However, Administration recommends that the definition of non-profit home ownership housing provider be updated to specify that only charitable non-profit organizations can access affordable home ownership incentives. This will clarify the type of housing provider that is eligible for these funds. It is important to note that this amendment would not impact housing providers like Habitat for Humanity which is a charitable non-profit and who regularly utilize the HIP.

## **7. Provide Property Tax Exemptions for new Affordable Rental Projects without Capital Grants.**

### *Current State*

Under the HIP, for a new affordable rental unit in Program Area 3<sup>1</sup> (Developed & New Areas) to qualify for a five-year property tax exemption, it must also be approved under the capital grant program. The HIP's capital grant program has been oversubscribed in recent years with the number of eligible applications exceeding the \$2.5 million available annually. In addition, the City has received applications for large scale affordable rental housing developments that exceed

provisions in the HIP which limit the number grants an Applicant and/or Project can receive each year.

Administration has received a request from a housing provider to untie these two programs and allow new affordable rental units that did not receive a capital grant to still receive a five-year property tax exemption.

### *Recommended Amendment*

Administration supports this request and recommend that the HIP be amended to allow the approval of Affordable Rental property tax exemptions where:

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<sup>1</sup> Note that in Program Areas 1 and 2, new purpose-built rental developments qualify for a five-year property tax exemption under the Market Rental Property Tax Exemption Program.



- The Applicant agrees to comply with all the requirements of the affordable rental capital grant program; and
- The Applicant is unable to receive a capital grant due to the HIP's per developer/project limit or the HIP being fully subscribed for that year.

This amendment will enable the City to increase the number of affordable rental units created under the HIP without increasing its capital funding contribution.

#### **8. Revise HIP Scorecard to reinstate points for projects that support vulnerable populations.**

##### *Current State*

The HIP has been fully subscribed for the last two years and early indications for 2021 are that applications for funding will continue to be competitive. The HIP utilizes a scorecard, which awards points to affordable housing projects based on their merits. A project would receive points for being wheelchair accessible and barrier-free while providing below market rental housing, as examples. The scorecard is used by staff when recommending projects for approval and is helpful in circumstances where funds requested through eligible applications are greater than available funds that year.

##### *Recommended Amendment*

Administration recommends amendments to the scorecard to affirm the priority of supportive housing for vulnerable populations. If approved, the scorecard will favour projects that are owned by or built for Indigenous people, those that provide significant wrap around support services to tenants, and/or those that build housing for women, and women with children, who are fleeing intimate partner violence or are transitioning out of shelters.

#### **Additional Items Investigated**

In addition to the recommended minor amendments, Administration considered two additional items stemming from the 2019 HIP review.

##### *Expediated Review of Affordable Housing Development Applications*

In past years Administration has received feedback that delays in receiving Building Permits can significantly increase project financing costs. Expediated review of affordable housing development applications is also a recommendation in the CHS. With the introduction of new planning and building software in 2019, the average length of time required to review and issue Building Permits has been reduced significantly with the average time to issue a residential permit decreasing from 26 days in 2019 to 8.4 days in 2020. The new software has also enabled

Administration to flag affordable housing applications to identify where special attention may be required for the file (e.g. the development requires a Building Permit by a specific date to access federal funding). It is important to note that flagging an application would not automatically result in it jumping the queue.

These changes respond to past concerns expressed from affordable housing providers. In addition, the process of flagging affordable housing applications can be considered an in-kind contribution from the City when an Applicant is applying for funding from upper levels of government.

#### *Suspension of Affordable Home Ownership Incentives for Private Sector Developers*

As part of the 2019 review, the HIP was amended to limit new affordable home ownership incentives (e.g. down payment assistance grants) to non-profit housing providers only; whereas, it had previously been available for private sector housing providers as well. The rationale for the change was that the private market had shifted considerably in recent years with an abundant supply of entry level ownership housing available on the resale market. As such, the program was not aligned with the HIP's objective of addressing gaps in the private market's ability to address housing need. Administration advised City Council it would bring back a report after one year on whether affordable home ownership incentives for private sector developers should be reintroduced.

Administration recommends that the HIP maintain the requirement that only non-profit housing providers are eligible for affordable home ownership incentives. While 2020 saw a small increase in average home prices following six years of consecutive decreases, in January 2021 there were 500 dwelling units available on the resale market for under \$300,000, including 267 single detached dwellings. Meanwhile, the City has experienced strong uptake of incentives for new affordable rental units.

## **DECISION HISTORY**

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### CR20-11: Housing Incentives Policy Review

On January 29, 2020 City Council approved a comprehensive update to the City's Housing Incentives Policy. A summary of the changes made is provided in the Comments section of this report.

### CM20-8: COVID-19 Financial Update

On April 15, 2020 City Council approved an amendment to the City's Housing Incentives

Policy to allow the Executive Director of City Planning and Community Development to issue capital grant payments prior to a project's occupancy under some circumstances.

Respectfully submitted,



Laurie Shalley, Director, Parks, Recreation & Cultural Services

Respectfully submitted,



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

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### **ATTACHMENTS**

Appendix A - 2021 Housing Incentives Policy  
Appendix B - Uptake of Housing Incentives  
Appendix C - Revision Table  
Appendix D - Stakeholder Comments  
Appendix E - Available Housing Incentives