



Housing Incentives Policy – Amendments to Support Revitalization

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| Date | January 18, 2023 |
| To | Executive Committee |
| From | City Planning & Community Development |
| Service Area | Planning & Development Services |
| Item No. | EX23-1 |

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve amendments to the City of Regina *Housing Incentives Policy*, as outlined in this report, as follows:
 - a) Amend the program area boundaries to support reinvestment in the City Centre and established areas, as outlined in Appendix C;
 - b) Amend incentive allocations to provide greater support for housing development in the City Centre, North Central and Heritage neighbourhoods and support the development of additional housing options in established areas, as outlined in Appendix D;
 - c) Adjust application intake timelines to prioritize capital funding for housing development in the City Centre, North Central and Heritage neighbourhoods; and,
 - d) Amend policy language to improve clarity and administration of the Policy, as outlined in Appendix E.
2. Approve these recommendations at its meeting on January 25, 2023.

ISSUE

Administration undertakes regular reviews of the Housing Incentive Policy (HIP) to ensure it is effectively responding to local conditions, ensuring objectives are met and outcomes align with the City's priorities. While the HIP continues to see strong uptake in recent years and has supported construction of hundreds of new below market and affordable units, through its review in 2022, Administration has identified opportunities to strengthen the alignment of the HIP with Council's renewed focus on investment and vibrancy in the City Centre and older neighbourhoods.

The policy amendments recommended in this report enhance access to grants and tax exemptions in the City Centre, North Central and Heritage Neighbourhoods, which aligns with priority neighbourhoods in the recently approved Revitalization and Intensification Incentive Programs. The policies still address the need for housing incentives for other areas of the city. If approved, these amendments will be in place for applications received in 2023.

IMPACTS

Community Well-being Impact:

The Community Safety and Well-being (CSWB) Plan highlights that stable and affordable housing is important to improving the safety and well-being of Regina residents. By continuing to support the development of affordable and below-market housing units and support suites, the HIP represents one approach to addressing housing insecurity city-wide.

Financial Impact:

The amendments recommended in this report do not propose to increase or decrease the annual \$1.5 million capital grants dedicated to the HIP, but rather realign where funding is allocated to meet strategic priorities. Due to strong uptake of capital incentives, the City reached the funding threshold in both 2021 and 2022. Administration anticipates receiving HIP applications to the maximum of \$1.5 million annually in future years.

Annually, an average of 190 affordable housing units receive five year, 100% tax exemptions, representing approximately \$1.7 million in forgone revenue.¹ Following amendments to the policy in 2021 to provide stand-alone tax exemptions for affordable units², there has been a significant

¹ A housing unit represents one apartment or house vs. one property.

² In 2021, the HIP was amended to allow tax exemptions to be provided for affordable housing units if projects met eligibility criteria but where the annual builder maximum was met, or when the annual capital funding was fully allocated (CR21-45).

increase in applications for this incentive. Uptake will continue to be monitored and may be subject to amendment in the future.

The recommendations in this report include providing tax exemptions for new on-site support suites and extending partial tax exemptions for secondary and backyard suites to in all areas of the city. This is anticipated to result in a slight increase to the number of annual tax exemptions approved under the HIP, however, the recommendation to limit tax exemptions for market housing to the City Centre, North Central and Heritage neighbourhoods is expected to off-set this modest increase.

Policy/Strategic Impact

The amendments support Council's Strategic Priorities of Vibrant Community and Community Safety and Well-being. The recommendations include supporting the availability of diverse housing options in all neighbourhoods, directing at least 30 per cent of new population growth to existing urban areas and using incentives to increase the supply of affordable, attainable and below market housing.

The *Comprehensive Housing Strategy* (CHS) sets out the role of the City in responding to local housing conditions, including setting policy to support attainable, affordable, and rental housing and encouraging housing development through targeted incentives. The CHS also notes 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.

These recommendations prioritize investment in housing in targeted neighbourhoods to address safety concerns related to abandoned houses and vacant residential lands and acknowledge that development of residential buildings in established neighbourhoods can bring different challenges than greenfield development.

Environmental Impact

The recommendations are aligned with actions and targets recommended in the *Energy and Sustainability Framework* (ESF), specifically:

Action 8.5: Spatial densification- Residential, "Adapt growth plan to allocate growth as follows: 15% new population to city centre, 50% to intensification areas—specific zones along transit nodes and 35% to new neighbourhoods."

Investment in new and renewed housing in established areas will also reduce energy consumption and associated greenhouse gas emissions through reduced travel distances to schools, employment, community amenities and destinations; increased viability of transit service and active transportation modes (walking, cycling); and making more efficient use of existing land resources and infrastructure.

OTHER OPTIONS

Do not approve recommendations. If the HIP is not amended it will continue to support the development of affordable and below-market housing, primarily in greenfield neighbourhoods, but is unlikely to contribute to a shift towards housing investment in older neighbourhoods. Not aligning the HIP with the Intensification and Revitalization Incentives could also limit the collective impact of the programs to attract new housing investment.

COMMUNICATIONS

Prior to finalizing the recommendations, Administration held a virtual focus group discussion with housing stakeholders, with a focus on organizations that have applied for HIP funding in the past, to review the proposed amendments and receive their feedback. The session included a presentation from staff followed by a facilitated discussion about the proposed amendments. After the session, the presentation and discussion topics were circulated to stakeholders, including those invitees who were unable to attend the session. Stakeholders were invited to provide written responses directly to the City. A summary of feedback is available in Appendix G.

If the recommended amendments are approved, Administration will notify housing stakeholders and update the City's website with the new policy information. Information on how the City's incentives, including the HIP, support new development will also be part of a future communications campaign to the broader development community.

DISCUSSION

HIP Background

Under the HIP, the City provides capital grants and tax incentives to support the development of new rental and ownership units that address current housing needs. The City supports the development of new housing in all areas, however the per unit capital grant amounts and tax incentives vary depending on unit type, affordability, location in the city and corporate status of the developer. Tax exemptions are also available for repairs to existing purpose-built rental units that have received funding under Canada Mortgage and Housing Corporation's (CMHC) National Housing Co-Investment Fund.

In alignment with the policy direction and role of the City defined in the Comprehensive Housing Strategy, The HIP is a dynamic incentive program that is regularly reviewed and amended to

address local housing needs and ensure alignment with broader policy objectives. Over the last 10 years the HIP has undergone both comprehensive reviews and minor amendments. Background information about the HIP is provided in Appendix A.

HIP Investments and Outcomes

Review of HIP commitments over the last five years has identified that the location of affordable housing units supported under the policy is largely skewed towards greenfield neighbourhoods with limited investment in the City Centre, North Central and Heritage neighbourhoods. Between 2018-2022, 90 per cent of affordable units supported under the HIP were located outside of the Intensification Boundary. This is reflected in the capital grant funding allocations, with over \$7.4 million in capital funding committed towards affordable housing units in new neighbourhoods. In contrast, no affordable units were located in the City Centre and one per cent of affordable units were located in the North Central and Heritage neighbourhoods collectively (total \$300,000 in capital funding committed). Additionally, there has been limited support provided under the HIP for market housing and secondary suites in central areas.

Since 2020, the HIP has included a rental repair program that provides tax incentives for repairs to existing purpose-built rental units. This change responds to actions identified in the CHS and allows local housing providers to access funding for repairs under the CMHC National Housing Co-Investment Fund. Eligibility criteria for this incentive is aligned with the Federal program. To date, there have been no applications for the City's rental repair program. Additional information on HIP investments and outcomes are provided in Appendix B.

The data highlights that the HIP has been effective in securing affordable and below-market housing in new areas as they develop. However, current incentives are insufficient to drive development and investment in affordable and below market housing in central areas of the city and renewal of the existing housing stock.

Policy Alignment to Support Revitalization and Reinvestment

On September 28, 2022, Council approved the creation of the Intensification Incentive Program (IIP) and Revitalization Incentive Program (RIP) to encourage residential, commercial and mixed-use intensification and support revitalization, beautification and reinvestment of properties in the City Centre, North Central, and Heritage neighbourhoods (CR22-107). The HIP amendments complement and support these prioritized neighbourhoods.

Recommended Amendments

1. Amend HIP program area boundaries to support reinvestment in the City Centre and established areas

This amendment adjusts the HIP program area boundaries to align with the City Centre, North Central and Heritage neighbourhoods, and the City's Intensification Boundary. This allows consistent application of incentives that support reinvestment within the Intensification Boundary and provides greater clarity and coherence when tracking the impact and effectiveness of the HIP in supporting the City's long-term growth and intensification goals. Maps of current and proposed program areas are provided in Appendix C.

2. Amend incentive allocations to provide greater support for housing development in the City Centre and established areas

This amendment provides increased capital grant and tax exemption support in central areas and prioritizes application intake for these areas. The proposed changes are summarized as follows:

For City Centre and North Central/Heritage Neighbourhoods (Areas 1 and 2):

- Prioritizing both private sector developers and non-profit providers for funding until July 31 of each year within these neighbourhoods
- Introducing a 5-year tax exemption for on-site support suites
- Increasing the tax exemption for market ownership units from 3 to 5 years
- Increasing the per unit capital grant contributions for both affordable rental and ownership units.

For Established Areas (Area 3):

- Introducing a 5-year tax exemption for on-site support suites
- Extending the 5-year tax exemption for secondary suite/backyard suites to these areas
- Eliminating the 5-year tax exemption for new market rental units from these areas
- Reducing the per unit capital grant contribution for affordable bachelor-size rental units

For New Areas (Area 4)

- Introducing a 5-year tax exemption for on-site support suites
- Reducing the per unit capital grant contributions for affordable bachelor-size rental units

The proposed reduction of the per unit capital contribution for bachelor units in established and new neighbourhoods is due to the high vacancy rate for this unit size. Tax exemptions for new on-site support suites that are developed in conjunction with affordable units are also provided in all areas. Current and proposed incentive allocations are outlined in Appendix D.

All applications from non-profit housing providers will continue to be reviewed in the first half of the year (prior to July 31), annually. Amendments proposed will have applications from private sector developers in City Centre, North Central and Heritage Neighbourhoods also reviewed and evaluated for funding prior to July 31 of each year. All eligible projects will be prioritized for funding using the

HIP Design and Development Criteria Scorecard instead of on a first-come, first serve basis. The amendment allows up to half of the annual program budget to be allocated to applications submitted by March 31 with the remaining funding available for allocation until July 31. Applications from private sector developers for projects located in established and new areas will only receive capital grant funding after August 1 based on the remaining funding available.

3. Adjust application intake timelines to prioritize housing in the City Centre, North Central and Heritage neighbourhoods

As a result of numerous amendments over the years, some policies within the HIP have become redundant and/or difficult for both applicants and Administration to clearly articulate and apply. Other policies have created unnecessary administrative inefficiency. The proposed amendments and their rationale are described in Appendix E. A clean copy of the HIP that integrates all amendments is provided in Appendix F.

Housing Policy Next Steps

Housing programs and policies require regular adjustments to maintain effectiveness and address local needs. The Comprehensive Housing Strategy approved in 2013 sets out the City's role in responding to local housing challenges and goals. In 2022, Administration began collecting data and conducting preliminary analysis to inform a review and update to the CHS. In addition to reviewing investments and outcomes of the HIP, Administration has been reviewing the status of the CHS. Administration is continuing research and analysis to confirm and define emerging housing issues and target gaps in the housing continuum that current policies have not been effective at addressing. Administration will also continue to work with stakeholders to attract and leverage funding from other orders of government to address local housing needs and priorities.

Stakeholder feedback has reinforced that some regulatory and planning permissions create uncertainty that continues to limit new housing development in established areas. In 2023-2024, in addition to the Comprehensive Housing Strategy review, implementation of the new incentive programs and refocused neighbourhood and corridor planning will help identify additional areas where policy change is required to reduce barriers to housing development and support revitalization and investment in established areas.

DECISION HISTORY

On January 29, 2020, Council approved updates to the *Housing Incentives Policy* (CR20-11: Housing Incentives Policy Review) including:

- Introducing a tax exemption program for the repair of existing affordable rental housing units in alignment with National Housing Co-Investment Fund.
- Extending tax exemptions for new market ownership units to include the North Central and Heritage neighbourhoods.

- Providing capital grants to support the construction of on-site support suites.

On April 14, 2021, Council approved updates to the *Housing Incentives Policy* (CR21-45: Housing Incentives Policy – Minor Updates) including:

- Increasing the requirement that affordable rental units remain under maximum rental rates from five to ten years beginning in 2022.
- Limiting eligibility for capital grant and property tax exemptions for affordable home ownership units to charitable non-profit organizations.
- Providing property tax exemptions for new affordable rental projects without capital grants.
- Increasing capital funding available for projects with multiple on-site support suites.

On September 28, 2022 Council approved report CR22-107: Intensification Annual Report and Incentives Update which established the creation of the Intensification Incentive Program (IIP) and Revitalization Incentive Program (RIP) to encourage residential, commercial and mixed-use intensification and support revitalization, beautification and reinvestment of properties in the City Centre, North Central, and Heritage neighbourhoods. These incentives will be available in 2023.

Respectfully Submitted,



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Respectfully Submitted,



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ATTACHMENTS

- Appendix A - HIP Background Information
- Appendix B - HIP Commitments (2018 - 2022)
- Appendix C - Current & Proposed HIP Areas
- Appendix D - Current & Proposed Incentive Allocations
- Appendix E - HIP Policy Text Changes
- Appendix F - Housing Incentives Policy
- Appendix G - HIP Amendments – Stakeholder Engagement Summary