

December 21, 2009

CM09-22

To: His Worship the Mayor
and Members of City Council

Re: Supplementary Information and Amendments to City Housing Incentives

RECOMMENDATION

Your Administration recommends that:

1. The Administration continue to promote and to monitor the development of secondary suites, and further report on ways to coordinate city initiatives with the Provincial secondary suite program as it is developed.
2. Property tax exemptions provided for properties “grandfathered” under the Inner City Housing Program, be conditional on the issuance of an approved building permit by December 31, 2009, and that the Director of Planning and Sustainability be authorized to establish a date for obtaining an approved occupancy permit for the subject development.
3. Effective January 1, 2010, the property tax exemption provided under the Regina Housing Incentives Policy – Warehouse District program be amended and that the new exemption be established as 90% of taxes for two years, and 50% of taxes in the third year.

CONCLUSION

The Province has the major role in affordable housing development, including the development of affordable secondary suites. The Province has been examining ways to strengthen its secondary suite program. The Administration should continue to discuss options for coordinating City and Provincial incentives before making recommendations regarding special incentives for this type of units.

Amendments to the Housing Incentives Policy and to the housing incentives policy for Warehouse District would streamline administration for both of these programs and would accelerate the “grandfathering” of exemptions provided under the Inner City Housing Stimulation Strategy (ICHSS) policy, which expires in 2009.

BACKGROUND

Council approved the new Housing Incentives Policy (CR09-122) on August 17, 2009. The new policy provides tax exemptions to encourage housing development in inner city areas and to accelerate rental housing development. The policy also establishes the City’s capital contribution to affordable housing projects. Council requested that Administration provide a further supplemental report with additional information from the Provincial Government regarding the recommendation:

“That \$200,000 be allocated from the Social Development Reserve to support the secondary suite capital assistance element in Schedule 2 of the Housing Incentives Policy.”

There is also an opportunity to further streamline the transition from the Inner City Housing Stimulation Strategy to the new Housing Incentives Policy, and to reduce administration for both the new policy and for the tax exemption provided for housing development in the Warehouse District.

DISCUSSION

1. Housing Incentives Policy

The City’s new Housing Incentives Policy supports housing development in inner city areas. It encourages both ownership and rental multi-unit developments, and the efficient use of building sites. In addition, the policy establishes a \$10,000 per unit capital contribution for affordable housing on the condition that provincial support is also provided. The policy supports affordable housing development while recognizing the Provincial Government’s primary role in this area. These funds are provided from a capital reserve which is funded through the sale of land under a joint sales agreement with the Province. These funds must be used for affordable housing under the terms of the agreement.

2. Secondary Suite Incentives

Secondary suites serve a range of rental needs. They are affordable and appropriate for small, one and two-person working households, and for students, seniors, persons with disabilities, caregivers, extended families and others. They cost less to develop than an apartment unit, can be built faster than other types of housing, and can be located in any part of the city with single-family homes.

The Province has established a secondary suite program. The provincial program provides a 50% matching grant and pays up to \$24,000 toward the total cost of building a new suite or bringing an existing suite up to code. Rents must be at or below the market average. The unit must be rented for ten years and the owner must report on rents paid. The Provincial incentive is substantial, but uptake on the program has been lower than expected due to the costs in new homes, retrofitting costs of existing homes due to code requirements, and for other reasons.

The City has been advised that the Province has been reviewing its secondary suite program, but there have been no changes at this point. The City’s Building Standards Branch estimates that permits have been issued for about 30 secondary and basement suites in the past year. Almost all of these would have been undertaken by private individuals or developers who are not participating in the provincial program. The difference is that rents charged for these private units are likely to be higher than those supported by the provincial program and some of these suites may not be rented if they are used as an extension of the main living unit.

Given the current situation, it is advisable that the Administration continue to discuss ways of co-ordinating municipal and provincial secondary suite incentives, and to bring forward a report on secondary suites at the appropriate time.

Two options for increasing uptake on the program would be to design options that encourage secondary suite development as part of the initial construction and to simplify the owner reporting requirements. Progress on secondary suites can also be reviewed in the 2010 interim report on the Housing Incentives Policy. The Administration will continue to promote secondary suites and to work with home owners and the building community to determine what type of assistance or information would be most useful.

3. Fast-track Grandfathering of the ICHSS Program

The Housing Incentives Policy replaces the Inner City Housing Stimulation Strategy (ICHSS). Properties that were eligible for the five-year tax exemptions provided under ICHSS may be “grandfathered” if they obtain an approved building permit by December 31, 2009, when the ICHSS program expires. The ICHSS exemption starts on January 1 of the year following the issuance of an approved occupancy permit. Many of these exemptions for properties that are still under construction cannot be started until 2011 because of the occupancy permit requirement.

In several cases, it is advisable to start the “grandfathered” ICHSS exemption in 2010 if possible. This provides more certainty for customers caught in the transition period for the program. It also reduces the time the file remains active by one year and facilitates the winding-up of the program.

4. Convert the Warehouse Exemption to a Percentage Basis

Currently the City provides an exemption on all taxes for newly built residential units in the Warehouse District. The policy exempts the lesser of \$7,500 or taxes for five years. In practice, the \$7,500 maximum exemption amount is usually reached in two to three years. The \$7,500 amount requires manual tracking of the exemption for each individual unit. The process would be simplified and owners would be more certain of the term of the exemption if the Warehouse exemption were calculated on a percentage basis. An exemption calculated on the basis of 90% of taxes for two years, and 50% of taxes in year three, would result in an average exemption of \$7,500 per unit. It is suggested that the Warehouse exemption be applied on this basis to reduce administrative resources and to allow owners to better plan for the year in which taxes resume. A January 1, 2010 start date for the change is suggested to allow final 2009 applications to be addressed under the current program.

RECOMMENDATION IMPLICATIONS

Financial Implications

There are no financial implications to this report. No change is proposed to the secondary suite incentives at this time. Changes to procedures regarding the phasing-out of properties qualifying for an ICHSS exemption and to the method for calculating the Warehouse District exemption, would not change the value of the exemptions provided. There would be some administrative savings.

Environmental Implications

The policies referenced in the report support a compact urban form, the use of existing infrastructure, and the adaptive reuse of existing buildings.

Exemptions and capital contributions provided under the new Housing Incentives Policy are conditional on energy efficiency requirements and other criteria that support a sustainable community.

Strategic Implications

The recommendations in this report are primarily administrative. The housing policies referenced support corporate priorities relating to growth management, community development, asset management and operational excellence. The recommendations encourage operational excellence and the efficient use of City resources.

Other Implications

None to this report.

Accessibility Issues

The recommendations in this report do not directly impact on accessibility issues. However, the new Housing Incentives Program was designed to encourage accessible, affordable and appropriate housing for Regina residents.

COMMUNICATIONS

A communications initiative is currently underway to promote City housing initiatives through the City website, published materials, presentations to community and stakeholder groups and other means. The staff member working with the housing incentives program will promote the coordination of the City housing incentive programs with those of the Province, Federal Government, and with opportunities in the private and nonprofit sectors. Regina's Old Warehouse Business District (ROWBID) has been advised of the Customers affected by the proposed policy. ROWBID and customers affected by the proposed amendments will be advised of Council's decision.

DELEGATED AUTHORITY

Council must approve the policy changes recommended in this report.

Respectfully submitted,



Robert Bjerke, Director
Planning and Sustainability

Respectfully submitted,



Jason Carlston, General Manager
Planning and Development