

Rental Housing Incentives Backgrounder

Legislative Authority for Financial Incentives

Both incentives must be used in accordance with provincial legislation. The Community Charter establishes the powers for local governments to provide revitalization tax exemptions and The Local Government Act describes how a municipality may establish specific categories of development where Development Cost Charges can be reduced or waived.

Revitalization Tax Exemption Bylaw

As per Section 226 of the Community Charter local governments are permitted to establish a revitalization program bylaw that describes the following:

- a description of the reasons for and the objectives of the program;
- a description of how the program is intended to accomplish the objectives;
- a description of the kinds of property, or related activities or circumstances, that will be eligible for tax exemptions under the program;
- the extent of the tax exemptions available;
- the amounts of tax exemptions that may be provided under the bylaw, by specifying amounts or by establishing formulas by which the amounts are to be determined, or both;
- the maximum term of a tax exemption that may be provided under the bylaw, which may not be longer than 10 years.

All revitalization tax exemptions applications from rental housing providers would need to be administered according to the relevant revitalization program bylaw. This bylaw would also establish any conditions such as affordability conditions for applications to be eligible and other requirements that must be met for an exemption to be provided.

From a process perspective, applications for revitalization tax exemptions are reviewed by staff and typically considered by Council based on alignment with the revitalization program bylaw. The applications for a revitalization tax exemption are typically submitted after a development permit is approved but before construction begins. The City and applicant would enter into a tax exemption agreement that would set out the conditions for the exemption certificate to be issued once the project receives an occupancy permit.

Development Cost Charge Waiver

As per Section 563 of the Local Government Act through a bylaw a municipality can waive or reduce Development Cost Charges for one or more of the following categories:

- not-for-profit rental housing, including supportive living housing;
- for-profit affordable rental housing;
- a subdivision of small lots that is designed to result in low greenhouse gas emissions
- a development that is designed to result in a low environmental impact.

Any waiver or reduction in Development Cost Charges would need to be reflected in the City's Development Cost Charges Bylaw. The City would need to describe in the bylaw what an eligible development would be for the DCC waiver or reduction. Also, the local government would need to set aside funds to account for the reduced DCCs that would be collected. However, under Section 25 of the Community Charter local governments are prohibited from providing assistance

to businesses and therefore the City would not be able to provide a DCC waiver for a 100% market rental building with no secured rental rates. The City of Victoria collects DCC fees at the time of building permit application.

Proposed Requirements for Incentives

For projects to be eligible for the proposed incentives the City would need to determine requirements or conditions for eligible developments. Additional work would be undertaken as bylaws are prepared for Council consideration, but preliminary requirements are described below.

Affordability - Requirements

It is recommended that a less prescriptive affordability definition be used for non-market rental housing that is owned and operated by a public housing body (i.e., non-profit housing providers). The affordable housing provider would determine the appropriate level of affordability for each project as opposed to the City establishing a minimum threshold for all non-market projects. This approach recognizes that public housing bodies are mission-driven organizations that are established with the specific purpose of delivering housing for people with very low to moderate incomes. Accordingly, it is recommended that the definition of affordable housing that was established for the Rapid Deployment of Affordable Housing be used for the non-market rental housing incentives. This approach would require each project to secure the affordability and rental tenure through a legal agreement for a minimum of 60 years.

For the market rental housing incentives, it is recommended that 10% of units be secured as affordable for households with median incomes through a legal agreement in perpetuity. The units affordable to median-income households would reflect the rental rates updated in May 2023 and align with City policies such as the Inclusionary Housing and Community Amenity Policy (IHCAP) and the Victoria Housing Reserve Fund (VHRF). Over time as the City updates its affordable rent rates these units would be able to be rented at higher rates as new residents move in, reflecting the gradual increase in median incomes over time. Also, the affordable units would still be subject to the annual rent increases that are allowable under the Residential Tenancy Act. The tenants of the affordable units would also be required to meet the identified income limits at the start of tenancy.

Right of First Refusal - Requirements

Tenants displaced by the redevelopment of existing purpose-built rental buildings are supported by the City's Tenant Assistance Policy (TAP). Under the TAP, displaced tenants must be offered the *right of first refusal* to a unit in the new building, that is similar to their original unit, at 20% below market rate.

Developers that opt into the new Rental Incentives program will need to offer eligible tenants the right of first refusal to a similar unit in the new building at the median income affordable rate or the tenant's previous rate (subject to income testing), whichever is higher. This income testing requirement would be aligned with the median income limits identified in the Victoria Housing Strategy and be secured via a legal agreement. Given the hardship of moving homes, and the very low number of tenants that currently take advantage of the *right of first refusal*, it is not expected that the number of income-tested eligible tenants is likely to be higher than the number of affordable units created in a new building. Tenants that are not eligible for the new affordable

units are still covered by the TAP however and must be offered the *right of first refusal* to a new unit at 20% below market rate.