

# Secondary Suite Incentive Program Framework

February 2024



## INTRODUCTION

Announced with Budget 2023, the Secondary Suite Incentive Program is a pilot program to increase the supply of affordable rental units in British Columbia by providing financial assistance to owners of residential dwellings to construct Accessory Dwelling Units (ADUs)<sup>1</sup> in their Principal Residence<sup>2</sup>. The three-year pilot program will be delivered by BC Housing starting in April 2024.

The Province provides financial assistance, by way of a forgivable mortgage registered on title, to reimburse homeowners' eligible construction costs that will be forgiven over the amortization term when all program requirements are met.

This program framework outlines the key elements, standards and guidelines of the program, and defines the roles and responsibilities of project partners in the delivery and management of the program. More detailed information on household eligibility and eligible construction costs will be documented in the program Policy Manual and other supporting materials.

## PROGRAM PRINCIPLES

### **1. Affordable rental units are created in communities across British Columbia**

- Financial assistance in the form of a forgivable mortgage is provided to eligible homeowners to create new affordable rental units within or detached from their Principal Residence.
- Only construction that directly creates new rental units in compliance with respective jurisdictional land use policy and building code are eligible. Betterment of existing rental units is not permitted under this program.

### **2. Program is administered in a fair and consistent manner**

- Applications will be reviewed in the order they are received until the annual funding allocation is exhausted. Only fully completed applications will be reviewed.
- Every effort will be made to simplify and streamline program administration to facilitate navigation through the program application processes while minimizing administrative resources.

### **3. Transparency and accountability**

BC Housing will:

- Maintain reliable and consistent records and develop appropriate program policies and procedures.
- Provide clear program guidelines to the public.
- Monitor, evaluate and report out on the program to confirm that outcomes delivered are effective at meeting the program's objectives.

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<sup>1</sup> Accessory Dwelling Units (ADUs) are self-contained dwelling units located on the same legal lot as a single-detached home, duplex, or other residential unit. ADUs include secondary suites, garden suites, laneway homes, and garage suites that can be placed in or adjacent to an existing or new dwelling unit on the same lot.

<sup>2</sup> Principal residence is the home that is designated (and is eligible to be designated) as the owner's principal residence for tax purposes, and where all persons registered on title live permanently for at least 6 months per year in a self-contained unit with access to all living facilities at all times to conduct their daily activities (such as: cooking, sleeping and receiving mail) and is the residential address used by the persons registered on title on documentation including but not limited to identification, vehicle registration and income tax returns.

## **PROGRAM GOAL, OBJECTIVE, OUTCOMES, MEASURES**

### **Goal**

To increase the supply of affordable long term rental units across British Columbia.

### **Objective**

To provide financial assistance to eligible homeowners to create rental units in their Principal Residence for long term rental.

### **Outcome**

Increase the number of affordable long-term rental units in British Columbia.

### **Measures**

- Number of applications received.
- Number of complete applications received.
- Number of applications approved.
- Number of forgivable mortgages registered.
- Number of rental units created.

## **FUNDING**

The Province will contribute \$40 million per year for three fiscal years (2024/25 to 2026/27) to fund approximately 1,000 new rental units per year. Eligible homeowners can receive financial assistance of up to 50% of the construction cost, to a maximum of \$40,000, to create an additional suite in their Principal Residence. The financial assistance will be registered on title as a forgivable mortgage, with 20% forgiven for each year when all program requirements are met.

## **KEY PROGRAM ELEMENTS**

### ***Eligible Applicants***

- Homeowner(s) registered on title can apply.
- The homeowner(s) is a Canadian citizen or permanent resident.
- The homeowner(s) resides in the property as their Principal Residence.
- The homeowner(s) combined<sup>3</sup> gross annual income must not exceed the 80<sup>th</sup> income percentile for families with children, as determined by BC Housing from time to time<sup>4</sup>.

### ***Eligible Properties***

- The home is located in an eligible community in BC.
- The home is the Principal Residence of all owners registered on title.
- The proposed ADU must be a legal self-contained unit with a kitchen and full bathroom facilities located within or detached from the Principal Residence.
- Permitted ADUs include secondary suites, laneway homes, garden suites and garage suites.

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<sup>3</sup> Includes income of all homeowners registered on title. In cases of nominal ownership for estate planning, or co-signors, applicants may submit a request to exempt income of homeowners who do not live in the residence.

<sup>4</sup> BC Housing determines this figure using data released by Statistics Canada – Income Statistics Division: T1 Family File – Custom Tabulation British Columbian Couple Families (With Children).

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- The home's BC Assessment value is below the annual home owner grant threshold<sup>5</sup> established by the Province.
- Construction of the rental unit must be in compliance with all provincial, local government and other jurisdictional policies as applicable, and building code requirements.

### ***Eligible Tenancies***

- The unit's rent must be at or below the Rental Affordability Limits (RALs)<sup>6</sup> for a comparable unit size in the community established by BC Housing from time to time.
- Short-term rentals are not permitted; the signed tenancy agreement must be completed using an approved Residential Tenancy Branch form and comply with the Residential Tenancy Act (RTA).
- The tenant must not be an immediate family member (spouse, child, parent or sibling) of the homeowner(s).

### ***Eligible Construction Costs***

Eligible costs must be directly related to the construction of the new rental unit. Further details on eligible cost will be documented in the program Policy Manual.

- Maximum lifetime grant is \$40,000 per home/homeowner.
- Applicants are responsible for costs exceeding the approved funding amount.

### ***Application and Approval Process***

- Applicants must submit a copy of any required permits, including building or trades permits, and scope of work along with all requested supporting documents (proof of income, identification, etc.); BC Housing will only review applications upon receipt of all required documents.
- Funding is administered on a first come first served basis until all funding for the year is exhausted.
- Upon completion of work, applicants must submit the occupancy permit, or equivalent, issued by their local jurisdiction with copies of the final invoice(s) for the approved construction.
- BC Housing issues the approved financial assistance, upon receipt of the occupancy permit or equivalent and the final invoice(s) of the approved construction, to the applicant's legal counsel in trust, to be advanced to the applicant upon registration of the forgivable mortgage.

### ***Forgivable Mortgage Terms***

- The forgivable mortgage comprising of the financial assistance and BC Housing's legal costs will be registered on title for a term of 5 years.
- Interest will be calculated and accrued based on the prevailing Royal Bank of Canada Prime Rate of interest plus 2.00%, as of the date of registration of the mortgage.
- The forgivable mortgage, inclusive of the legal costs and accrued interest, will be forgiven 20% each year if all program requirements are met:
  - The property continues to be the Principal Residence of the owner(s).
  - The rental unit was rented for at least 10 months in the preceding year and the tenancy is under an agreement that complies with the Residential Tenancy Act (RTA) (i.e., no short term or vacation rentals).

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<sup>5</sup> The home owner grant threshold is the maximum value of an assessed or partitioned property where home owners are eligible to claim the full home owner grant, The grant threshold is updated and published annually on the official website of the Government of British Columbia.

<sup>6</sup> The Rent Affordability Limits (RALs) are the median rent levels for each area and unit size, as determined by CMHC from their annual rental market survey.

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- The rent for the newly constructed rental unit is at or below the RALs established by BC Housing annually.
- The tenant is not an immediate family member (spouse, child, parent or sibling) of the homeowner(s).
- In the event that the forgivable mortgage is not fully forgiven within the first 5 years, BC Housing will have the sole discretion to extend the mortgage term to a maximum of 10 years from commencement, and the opportunity for forgiveness will continue.
- BC Housing will discharge the forgivable mortgage from the title when the entirety of the mortgage is forgiven or repaid.
- If the forgivable mortgage is not fully forgiven within 10 years, any outstanding principal mortgage balance, accrued interest, remaining legal costs and any expenses and costs incurred by BC Housing to exercise its rights under the mortgage terms, will be due and payable to BC Housing in full.

## ROLES AND RESPONSIBILITIES

### ***BC Housing***

BC Housing is responsible for:

- Funding, administration and implementation of the program.
- Responding to all program inquiries.
- Providing clear guidelines and expectations to program applicants.
- Managing and processing applications in a timely manner.
- Notifying applicants of the status of their application, including:
  - if approved, maximum grant/forgivable mortgage amount, and deadlines to complete the work;
  - any action required by either party; and,
  - any changes to their application status.
- Notifying applicants of the documentation and declarations required for annual review.
- Notifying applicants of the remaining balance of their mortgages annually.
- Discharging the mortgage when the entire amount is forgiven or repaid in full.
- Marketing and advertising the program to the public.
- Data collection, analysis, monitoring and reporting.
- Carrying out audits of applicant eligibility for forgiveness.

### ***Applicants***

When submitting an application, applicants are responsible for:

- Providing all required supporting documents.
- Procuring a qualified contractor to complete construction up to the BC Building Code standard.
- Obtaining and submitting estimates of construction costs to BC Housing.
- Ensuring compliance with local land use policies.
- Obtaining all required approvals from their respective jurisdiction for construction.
- Disclosing all information required to process the application in a timely manner.

During construction, applicants are responsible for:

- Advising BC Housing, in a timely manner, when changes occur that may impact eligibility (adding/removing homeowner(s) on title) and/or construction completion time.

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- Costs exceeding the approved amount.
- Submitting the contractor-signed invoice and occupancy permit, or equivalent municipal certification, upon construction completion.
- Finding, selecting and screening eligible tenants, understanding the rights and responsibilities of being a landlord, and entering into a Residential Tenancy Agreement in compliance with the RTA after construction completion.

After forgivable mortgage registration, applicants are responsible for:

- Completing an annual declaration to determine if eligibility requirements for annual loan forgiveness have been met.
- Including their rental income on their income tax returns and submitting a copy of the income tax return showing the gross rental income to BC Housing annually.
- Repayment of any outstanding principal mortgage balance and accrued interest (if applicable), in the following circumstances:
  - Sale of property during the forgiveness period.
  - On expiry of the mortgage term.
  - If BC Housing calls a loan due and payable in accordance with the terms and conditions of the loan. This may include, but is not limited to, the following circumstances:
    - The property is no longer the Principal Residence of the homeowner.
    - The homeowner is no longer renting the rental unit to an eligible tenant under the program requirements and is not taking steps to comply with the requirements.
    - Misrepresentation of information submitted to BC Housing.

### **Contractors**

Building contractors are responsible for:

- Providing a quotation and scope of work of the construction.
- Completing the work in accordance with applicable building code.

### **Municipalities/Regional Districts and Other Permitting Authorities**

All permitting authorities are responsible for:

- Providing guidance to homeowners in the construction approval process.
- Issuing building permits.
- Issuing occupancy permits or equivalent upon a satisfactory inspection at construction completion.

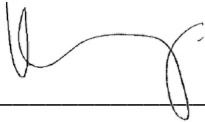
## **MONITORING AND REPORTING**

BC Housing is responsible for monitoring and reporting on the effectiveness of the Secondary Suite Incentive program.

- Internal and external audits may be completed to ensure compliance with the program requirements.
- BC Housing collects data to track program effectiveness for long term planning.
- BC Housing regularly reports to the provincial government and the public on the outcomes of the program.

**SIGN-OFF**

The Program Framework requires final sign-off by BC Housing’s Chief Executive Officer, approval by the Executive Committee and the Board of Commissioners.



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Vincent Tong

Chief Executive Officer  
BC Housing