

City of Kelowna
Regular Council Meeting
AGENDA



Monday, March 13, 2023
9:00 am
Council Chamber
City Hall, 1435 Water Street

Pages

1. **Call to Order**
2. **Confirmation of Minutes** 2 - 3
Regular AM Meeting - March 6, 2023
3. **Reports**
 - 3.1 **Council Code of Conduct Considerations** 60 m 4 - 16
To consider establishing a Council Code of Conduct.
 - 3.2 **Housing Incentives Review** 60 m 17 - 48
To provide Council with a review of the incentives available to local government to encourage new below-market housing.
4. **Termination**



**City of Kelowna
Regular Council Meeting
Minutes**

Date: Monday, March 6, 2023
 Location: Council Chamber
 City Hall, 1435 Water Street

Members Present Mayor Tom Dyas, Councillors Ron Cannan, Maxine DeHart, Charlie Hodge, Gord Lovegrove, Mohini Singh, Luke Stack, Rick Webber and Loyal Wooldridge

Staff Present City Manager, Doug Gilchrist; City Clerk, Stephen Fleming; Deputy City Clerk, Laura Bentley; Divisional Director, Planning & Development Services, Ryan Smith*

Staff Participating Remotely Legislative Coordinator, Clint McKenzie*

1. Call to Order

Mayor Dyas called the meeting to order at 10:02 a.m.

2. Confirmation of Minutes

Moved By Councillor Hodge/Seconded By Councillor Wooldridge

THAT the Minutes of the Regular AM Meeting of February 27, 2023 be confirmed as circulated.

Carried

3. Reports

3.1 Council Decision-Making Workshop

Staff:

- Displayed a PowerPoint Presentation outlining the different types of Council decisions and considerations.
- Commented on how Council makes decisions and the types of decisions they make.
- Outlined development application types and relevant considerations.
- Responded to questions from Council.

Moved By Councillor Lovegrove/Seconded By Councillor Singh

THAT Council receives, for information, the report from the Office of the City Clerk dated March 6, 2023 with respect to Council decision-making considerations.

Carried

The meeting recessed at 11:06 a.m.

The meeting reconvened at 11:15 a.m.

4. Resolution Closing the Meeting to the Public

Moved By Councillor Stack/Seconded By Councillor Wooldridge

THAT this meeting be closed to the public pursuant to Section 90(1) (i) of the Community Charter for Council to deal with matters relating to the following:

- Legal Advice

Carried

5. Adjourn to Closed Session

The meeting adjourned to a closed session at 11:15 a.m.

6. Reconvene to Open Session

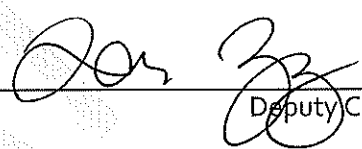
The meeting reconvened to an open session at 3:37 p.m.

7. Termination

The meeting was declared terminated at 3:37 p.m.

Mayor Dyas

lb/cm



Deputy City Clerk

Report to Council



Date: March 13, 2023
To: Council
From: City Manager
Subject: Council Code of Conduct
Department: Office of the City Clerk

Recommendation:

THAT Council receives, for information, the report from the Office of the City Clerk dated March 13, 2023 with respect to a Council Code of Conduct.

Purpose:

To consider establishing a Council Code of Conduct.

Background:

A Code of Conduct establishes shared expectations for how Council members should conduct themselves while carrying out their duties and responsibilities. It applies to interactions with each other, City staff, the public, and other organizations, including during Council meetings and when performing other duties as a member of Council. Responsible conduct is part of providing good governance and includes promoting behaviour that is accountable, transparent, ethical, respectful, effective, and efficient.

A provincial Working Group on Responsible Conduct was formed to better understand concerns related to conduct among local government elected officials and identify ways to strengthen BC's responsible conduct framework. With representation from the Union of BC Municipalities, Ministry of Municipal Affairs, and the Local Government Management Association, the Working Group has published several resources to support elected officials in fostering responsible conduct, maintaining good governance, and resolving conduct issues. Links to these resources are available at the end of this report.

Discussion:

Legislative Framework

Councils are now required under the *Community Charter* to consider whether to establish a Code of Conduct or whether to review an existing Code of Conduct within six months of its first regular meeting after a general local election. Council does not currently have a Code of Conduct and must consider

establishing one by May 14, 2023. In deciding whether to establish a Code of Conduct, Council must consider the following principles, as established by the Province:

- Council members must carry out their duties with integrity;
- Council members are accountable for the decisions they make, and the actions they take, in the course of their duties;
- Council members must be respectful of others; and
- Council members must demonstrate leadership and collaboration.

Contents

A Code of Conduct must speak to the foundational principles of responsible conduct, being integrity, accountability, respect, and leadership and collaboration. It should also clearly establish who the Code of Conduct applies to and under what circumstances, and how conduct will be monitored and the policies enforced. Other policies that relate to responsible conduct may be included. Proposed contents and structure for a Code of Conduct are:

- Scope and applicability
 - Whether to include persons appointed to Council committees and task forces
- Foundational principles
- Additional principles
 - Use of social media as an elected official, including during Council meetings
 - Council gifts
 - Council member meetings with developers
 - Lobbyist Registry
 - Security of corporate assets, including digital
 - Election activities (municipal, provincial, federal)
 - Confidential information and protection of third party privacy
- Standards of conduct for each principle
- Addressing conduct issues

Complaint & Resolution Procedures

Establishing a complaint and resolution process within a Code of Conduct sets a common understanding of options and procedures if conduct issues come up. Informal resolution of issues is encouraged and is generally found to be more effective, faster, collaborative, and less complex than formal enforcement mechanisms. Options for formal sanctions are limited within local government and are expensive when lawyers or other third parties are involved. These should be considered after efforts for informal resolution are made or to address more serious conduct matters. Complaint and resolution procedures should outline:

- Process for submitting complaints
- Process for reviewing complaints
- Informal and formal resolution options
 - Motion of censure
 - Remuneration deductions
 - Restricted access to City buildings

- Removal from committee appointments

Complaint and enforcement processes should be fair and impartial, ensuring affected parties have access to relevant information, including notice of decisions and the reasons for them, and an opportunity to be heard. Strict rules of procedural fairness must be followed when Council considers a formal complaint against a Council member.

Conclusion:

Responsible conduct supports good governance by promoting accountability, transparency, respect, and effective and efficient decision-making. A Code of Conduct establishes expectations for how Council conducts themselves following the principles of integrity, accountability, respect, and leadership and collaboration, among other related principles and policies. Should Council choose to establish a Code of Conduct, the recommendation to move forward is:

THAT Council direct staff to prepare a Code of Conduct and associated policies for Council's consideration.

Considerations applicable to this report:

Legal/Statutory Authority:

Community Charter s. 113.1 Requirement to consider code of conduct

- (1) Within 6 months after its first regular council meeting following a general local election, a council must decide
 - (a) whether to establish a code of conduct for council members, or
 - (b) if a code of conduct for council members has already been established, whether it should be reviewed.

Legal/Statutory Procedural Requirements:

Community Charter s. 113.1 Requirement to consider code of conduct

- (2) Before making a decision under subsection (1), the council must
 - (a) consider the prescribed principles for codes of conduct,
 - (b) consider the other prescribed matters, if any, and
 - (c) comply with the prescribed requirements, if any, including requirements respecting public notice or consultation.
- (3) If the council decides, under subsection (1), not to establish a code of conduct or review an existing code of conduct, it must make available to the public, on request, a statement respecting the reasons for its decision.

Principles for Codes of Conduct Regulation B.C. Reg. 136/2022

Definition

- 1 In this regulation, "Act" means the *Community Charter*.

Principles for codes of conduct

- 2 The following principles are prescribed for the purposes of sections 113.1 (2) (a) [*requirement to consider code of conduct*] and 113.2 (2) (a) [*reconsideration of decision respecting code of conduct*] of the Act as principles that a council must consider before making a decision under section 113.1 (1) or in a reconsideration under section 113.2 (1):
 - (a) council members must carry out their duties with integrity;

- (b) council members are accountable for the decisions that they make, and the actions that they take, in the course of their duties;
- (c) council members must be respectful of others;
- (d) council members must demonstrate leadership and collaboration.

Existing Policy:

[Council Policy No. 313 Conflict of Interest](#)

Financial/Budgetary Considerations:

There may be costs associated with complaint and resolution processes. Should Council proceed with establishing a Code of Conduct, budget would be identified.

Considerations not applicable to this report:

External Agency/Public Comments:

Communications Comments:

Submitted by:

Stephen Fleming, City Clerk

cc:

L. Bentley, Deputy City Clerk

Attachments:

[Forging the Path to Responsible Conduct](#)

[Foundational Principles of Responsible Conduct](#)

[Model Code of Conduct](#)

[Model Code of Conduct Companion Guide](#)

[District of Squamish Code of Conduct Bylaw No. 2919](#)

Council Code of Conduct

March 13, 2023

Background

- ▶ Shared expectations for how Council conducts themselves
 - ▶ Interactions with each other, staff, public, other organizations
 - ▶ During Council meetings
 - ▶ Carrying out Council duties and responsibilities
- ▶ Promotes good governance
- ▶ Provincial Working Group on Responsible Conduct

Legislative Framework

- ▶ New requirement under the *Community Charter*
- ▶ Council does not currently have a Code of Conduct
- ▶ Consider principles established by Provincial Regulation:
 - ▶ Carry out duties with integrity
 - ▶ Accountable for decisions & actions
 - ▶ Respect for others
 - ▶ Demonstrate leadership & collaboration

Code of Conduct Contents

- ▶ Scope & applicability
 - ▶ Who
 - ▶ Council only
 - ▶ Committee & task force members
 - ▶ Under what circumstances
 - ▶ During meetings
 - ▶ Performing other duties

Code of Conduct Contents (cont'd)

► Foundational principles & standards of conduct

Principle	Description	Example of Standard
Integrity	Conduct oneself honestly & ethically	Act in the best interest of the public & community
Accountability	Obligation & willingness to accept responsibility & account for one's own actions	Council is collectively accountable for Council decisions, individual members of Council are responsible & accountable for their behaviour & individual decisions
Respect	Value perspectives, wishes & rights of others	Refrain from any discriminatory conduct against an elected official, staff, or the public
Leadership & collaboration	Lead, listen to & positively influence others, work together for common goal	Provided considered direction on municipal policies & support colleagues & staff to do the same

Code of Conduct Contents (cont'd)

- ▶ Additional principles & standards of conduct
 - ▶ Social media use
 - ▶ Gifts
 - ▶ Meetings with developers
 - ▶ Lobbyist registry
 - ▶ Security of corporate assets
 - ▶ Election activities
 - ▶ Confidential information & privacy
- ▶ Addressing conduct issues

Complaint & Resolution Procedures

- ▶ Submitting complaints
- ▶ Reviewing complaints
- ▶ Informal resolution
 - ▶ Preferred over formal sanctions
- ▶ Formal sanctions
 - ▶ Limited options
 - ▶ Expensive when involving third parties
- ▶ Administrative fairness

Conclusion

- ▶ Promotes accountability, transparency, respect, effective & efficient decision-making
- ▶ Meaningful complaint & resolution process critical to success
- ▶ Council direction whether to establish a Code of Conduct
 - ▶ If yes, direct staff to prepare a draft Code & associated policies



Questions?

For more information, visit kelowna.ca.

Report to Council



Date: March 13, 2023
To: Council
From: City Manager
Subject: Housing Incentives Review
Department: Planning & Development Services

Recommendation:

THAT Council receives for information the report from the Planning & Development Services Division, dated March 13, 2023, regarding housing incentives.

Purpose:

To provide Council with a review of the incentives available to local government to encourage new below-market housing.

Background:

On January 23, 2023, staff brought forward a report to Council that provided a broad overview of the City’s approach to addressing housing affordability. At that discussion, Council expressed an interest for additional information on the City’s existing housing incentives and to discuss how the incentives can be used to support various types of needed housing.

Discussion:

This report begins by providing some contextual information regarding municipal roles and responsibilities. Then, the report reviews current and potential incentives that could be used to support below-market housing. In this case, the term “below-market housing” captures the full range of housing that requires financial support (a.k.a.: affordable, non-market, social, subsidized). For each incentive, a brief description will outline their scope and purpose, how they are used (in Kelowna or in other municipalities), and how they could be employed to support the development of more below-market housing.

Municipal Roles in Context

Housing – and particularly below-market housing – has historically been a provincial responsibility. In response to the current housing crisis, action from every level of government, the private sector and the non-profit sector has been occurring with varied levels of coordination. Local governments have been increasingly drawn into a larger and larger role regarding housing.

Within this context, municipalities play an important role, beginning with ensuring an ample supply of diverse forms of housing. Municipalities are responsible for land use and building approvals, which have

direct impacts on the supply of housing. Without an ample supply of housing overall, achieving affordability is made more challenging. Focusing on below-market housing, new projects all require some level of municipal approval (e.g.: rezoning, development permits, building permits). Local government support through these processes is pivotal.

Municipalities also have several incentive tools available to help encourage the development of below-market housing by the private or non-profit sectors. Often, these incentives are layered with the tools and incentives from other levels of government. For example, a city may provide land leased for a nominal fee to a non-profit who will partner with BC Housing to fund construction and operation.

Municipalities can also use other tools to mandate the provision of below-market housing from the private sector during the development process. These tools require private development to deliver below-market units as part of their market projects. As opposed to voluntary incentives, these mandated tools carry higher risks. If not crafted very carefully, they can hinder the financial viability of development projects, resulting in a reduction of overall housing supply, eroding affordability more broadly.

Current Incentives Review:

The City of Kelowna currently administers a number of housing incentives. Each of the existing incentives is described below along with a brief discussion of additional opportunities to support below-market housing. The incentives are listed in order from the most impactful to the least. These incentives are most effective when several are layered together so that they can achieve deeper levels of affordability. For further detail on each incentive, see *Appendix A*.

1. **Land partnerships – high impact, moderate cost**

- Description: Land partnerships involve the City providing a long-term land lease to a partner for a nominal fee to help ensure that a new housing project is able to be operated at below-market levels. The City has leased land many times in partnership with BC Housing to deliver affordable housing developments in the community.
- How we use it: The City established the Affordable Housing Land Acquisition Strategy (AHLAS) to create a dedicated fund to support ongoing acquisition of land to support affordable housing partnerships. The AHLAS program has been working towards achieving its original financial targets incrementally (development contributions and taxation). However, land values in the meantime have increased substantially.
- Opportunities: Increase financial contributions to the AHLAS to reflect current land values to allow the program to achieve or to exceed its original objectives.

2. **Density Bonus Program – high impact, low cost**

- Description: In exchange for additional (aka: “bonus”) density, projects pay a prescribed fee or provide a specific identified public benefit (e.g.: below-market housing units). These public benefits are not able to benefit from other funding sources, such as Development Cost Charges (DCC).
- How we use it: The City’s density bonusing program was recently revised, with one of its new key objectives aimed at increasing the supply of rental housing and affordable housing stock. The program relies upon a prescriptive, formula-based approach to be fair, transparent, and predictable to the development industry. Developments seeking to benefit from the bonus must provide a payment to the City that represents the costs of purchasing land for future affordable housing partnerships. Developments that are eligible for bonusing are limited to the City’s Core Area, where higher densities are an OCP goal.

- Opportunities: Future expansion areas for the density bonus program could include:
 - Adjusting the bonusing formula to increase the level of payment on each development to create more funding and to be more in line with other practicing communities.
 - Amending regulations so that developers qualify for the additional density based upon the direct provision of a set number of affordable housing units within the development.

3. Parking Relaxations – high impact, low cost

- Description: All new residential development is required to provide off-street parking spaces. Parking requirements can be reduced for below-market housing, representing very substantial financial savings (approximately \$40-70,000 per stall).
- How we use it: The City currently provides a parking reduction of between 10-20 per cent for rental housing projects that utilize Rental Tenure zoning. This zoning guarantees that the building will remain rental. There is no requirement for affordability in relation to the incentive as currently structured. Uptake on this incentive has been strong.
- Opportunities: There may be further opportunity to reduce parking standards if connected to the provision of below-market housing. Examples from other municipalities range up to a 50 per cent reduction (City of Victoria). This would provide a significant incentive for below-market housing development at no financial cost to the City.

4. Grants in-lieu of Development Cost Charges – moderate impact, moderate cost

- Description: All new housing projects, including below-market projects, are subject to DCCs of between \$25-35,000 per unit of apartment housing. DCCs represent a significant cost that impacts the ability of below-market projects to keep rents low. Direct grants provided by the City can help offset the costs of DCCs for select projects. DCC legislation also allows local governments to waive DCCs for below-market housing altogether.
- How we use it: The City currently funds an annual grant program that is available exclusively to non-profit housing providers to help offset DCC costs. Grant contributions typically add up to about 10-20 per cent of a project's DCCs, limiting the impact of the incentive.
- Opportunities: There are two options to reduce the impact of DCCs on below-market housing projects:
 - Increase the size of the annual grant program to offset a higher share of DCC costs (e.g.: 30-40 per cent) for below-market projects.
 - Waive all DCC's for below-market housing. All other sources of revenue for the DCC program would need to be increased to make up for the lost revenue (i.e.: Other projects and the taxpayer absorb those costs).

5. Revitalization Tax Exemptions – moderate impact, moderate cost

- Description: Revitalization Tax Exemptions (RTEs) are a tool to encourage private sector development that meets certain municipal revitalization objectives by foregoing the associated annual municipal tax revenue.
- How we use it: The City has a long-established RTE program that encourages purpose-built rental housing across much of the community. The RTE program provides a 100% exemption on the value of improvements only for a period of 10 years (the maximum legal term). The incentive is primarily utilized to encourage the supply of dedicated rental housing and is not

directly connected to any affordability or support requirements. Unless layered with other incentives, RTEs are unlikely to provide enough benefit to support substantial contributions to below-market housing.

- **Opportunities:** Industry feedback and internal analysis suggests that it remains an effective tool to encourage a healthy supply of purpose-built rental projects, particularly in the current market. The program could be updated to focus on below-market housing, but it would have to be combined with other incentives to achieve desired outcomes. Minor updates to the RTE program are expected in the spring to address some administrative improvements.

Potential Incentives Review:

A review of the incentives and tools being employed by other local governments as well as best practices has revealed some additional incentive options that the City could implement to support the development of below-market housing. Again, the incentives are listed in order from most impactful to least. For further detail, see *Appendix A*.

1. Affordability Requirements at Zoning – high impact, low cost

- **Description:** Local governments can mandate affordability standards for new development at rezoning. The intent is to establish a clear, consistent requirements for all new housing development that will result in a more dependable, predictable flow of below-market housing. In these programs, the clear policy establishes mandatory minimums (% of total units) that must be provided at below-market levels for all developments requiring rezoning.
- **Best Practice:** Affordability requirements at zoning are common in many municipalities across the province but have never been implemented in Kelowna. Affordability requirements have the potential to generate a significant number of below-market units. Careful economic analysis should be undertaken when setting affordability mandates. Otherwise, there is a high risk of reducing the overall supply of housing.
- **Opportunities:** Kelowna could introduce mandatory affordability standards for new developments requiring rezoning to increase the pace and predictability of below-market housing. Careful study and consultation are recommended to inform any proposed regulations. As previously noted, these types of regulations run the risk of suppressing housing supply if not carefully researched and crafted.

2. Process Improvements – low impact, low cost

- **Description:** Below-market housing is required to go through the same approval processes as market housing. With fewer financial resources at their disposal, this approach puts below-market housing providers at a competitive disadvantage. Tools such as pre-zoning and other process changes can help give below-market housing some unique advantages.
- **Best Practice:** The City of Victoria has introduced a program to provide as-of-right density (no rezoning required) for non-market rental housing in large parts of the city, where it is consistent with the OCP. All other approvals (i.e.: Development Permits) are also delegated to staff. These changes are estimated to have reduced approval times in Victoria by 11 months.
- **Opportunities:** Kelowna already has a very streamlined development approval process. The City could examine the development approval process further to identify opportunities that could reduce requirements for below-market housing. Granting as-of-right density to below-market housing, delegating development permit approvals and minor variances could play a

role. Taken together, these process incentives could provide some benefit in accelerating investment in below-market housing

3. Affordable Ownership – low impact, moderate cost

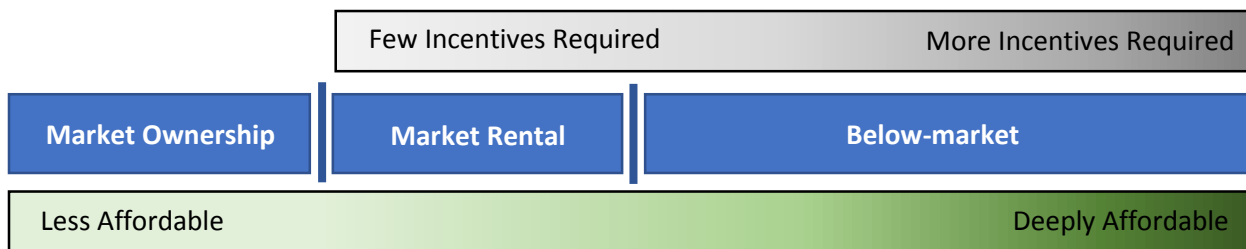
- **Description:** A set of tools intended to support the development of affordable (aka: entry-level, starter home, first-time buyers) home ownership opportunities.
- **Best Practice:** BC Housing’s *Housing Hub* program is partnering with local governments and the private sector across the province to develop affordable ownership options. Additionally, some local governments provide direct financial support (i.e.: down payment assistance) for buyers at certain income levels.
- **Opportunities:** Housing Hub has expressed interest in establishing a partnership with the City. A Memorandum of Understanding (MOU) could be established with Housing Hub that would enable the private sector to use the Housing Hub model in Kelowna. To be effective, this model requires the City to contribute some incentives. Direct down payment assistance is not recommended as a sustainable local model for supporting affordable home ownership.

Choosing the incentives available to incentivize below-market housing development is only the first step. There are additional considerations that will help inform the path forward.

Layering Incentives

Taken on its own, any single incentive is unlikely to provide enough benefit to generate a substantial contribution to below-market housing. However, layering incentives together opens more opportunity for achieving deeper levels of affordability. The more incentives a project can layer, the deeper the affordability it is able to achieve (see Figure 1). In addition, coordinating municipal incentives with the tools offered by other levels of government can further improve affordability outcomes.

Figure 1: Layering Incentives for Improved Affordability



Long-term Housing Program Considerations

Each of the tools described in the previous sections requires different levels of long-term management from the City. For instance, financial contributions towards a below-market housing fund would require City staff to dedicate resources to acquiring land and partnering to deliver housing using that funding. In addition, requiring below-market housing units from new development will require the City to incur ongoing administrative/management costs. Regardless of the mix of tools employed, the related long-term management roles should be carefully considered and appropriately resourced.

Implementing an Affordability Standard

Another important consideration is the target households for which the below-market housing is being developed. In short, who is below-market housing for? This is a vital question when market housing providers seek to provide “affordable” units.

The most common approach to setting affordability targets involves identifying a specific set of households based on income, usually with a focus on very low to moderate income households. These incomes are used to set maximum rents for the below-market units. For instance, a requirement could be set that 15% of new units be offered at rents affordable for households earning \$65,000 (aka: moderate income households). An alternative approach is to set affordability targets for new private development based on a percentage of local market rents. For instance, a requirement could be that 15% of new units be offered at rents no higher than 80% of average market rents.

All of the approaches outlined above are intended for use only with rental housing, recognizing that the households in most need are best served by rental housing. Most often, where incentives are offered to assist with home ownership, higher income levels are targeted.

Conclusion:

Municipalities across the country are re-examining their roles in addressing housing affordability as they seek creative solutions to a worsening housing crisis. The municipal role begins with ensuring a healthy supply of diverse housing options. Without an ample supply of housing, achieving affordability becomes much harder. Supply alone, however, will not solve the affordability challenges facing very low to moderate income Kelowna households. Using municipal incentives has the potential to increase the development of below-market housing to meet the needs of these income groups. To maximize their impact, these incentives should first be layered together, and then coordinated with the tools available to other levels of government, non-profits, and private sectors.

Staff are currently working on a new Housing Needs Assessment that will set the stage for an update to the City's Housing Strategy. These projects provide an opportunity to consider new incentives within the context of all of the actions and strategies being considered system-wide. That way, Council and staff will be able to identify and prioritize the most effective tools to achieve housing strategy objectives for today and the long-term.

Internal Circulation:

Development Planning
Real Estate Services
Policy & Planning

Considerations applicable to this report:

Legal/Statutory Authority:

- Community Charter, Division 7, Section 226 – Revitalization Tax Exemptions
- Local Government Act, Division 19, Section 563 – Development for which charges may be waived or reduced
- Local Government Act, Division 5, Section 482 - Density benefits for amenities, affordable housing and special needs housing
- Local Government Act, Division 9, Section 498.1 - Delegation of power to issue development variance permit
- Local Government Act, Division 7, Section 490 - Development permits: general authority
- Revitalization Tax Exemption Bylaw No. 9561
- Housing Opportunities Reserve Fund Bylaw No. 8593

Existing Policy:

- Official Community Plan, Chapter 4, Objective 4.12: Increase the diversity of housing types and tenures to create inclusive, affordable and complete Urban Centres.
- Official Community Plan, Chapter 5, Objective 5.11: Increase the diversity of housing forms and tenure to create an inclusive, affordable and complete Core Area.
- Healthy Housing Strategy key directions:
 1. Promote and protect rental housing;
 2. Improve housing affordability and reduce barriers for affordable housing;
 3. Build the right supply; and
 4. Strengthen partnerships and align investments.
- Affordable Housing Land Acquisition Strategy, 2020
- Rental Housing Grants Eligibility Policy No. 335

Considerations not applicable to this report:

Communications Comments

External Agency/Public Comments

Legal/Statutory Procedural Requirements

Financial/Budgetary Considerations:

Submitted by:

J. Moore, Infill & Housing Policy Manager

Approved for inclusion:



D. Noble-Brandt, Policy & Planning Department Manager

cc:

T. Barton, Development Planning Department Manager

B. Walker, Real Estate Services Manager

S. Wheeler, Social Development Manger

Attachments:

Appendix A – Housing Incentives Detailed Descriptions

Appendix A: Housing Incentives Detailed Descriptions

This appendix provides a greater level of detail for each housing incentive described in the staff report. The incentives described are divided into two sections: those incentives currently employed by the City, and potential incentives that have yet to be implemented locally.

Current Incentives Review

1. Land partnerships

Description: Land partnerships usually involve the City providing a long-term land lease to a partner for a nominal fee to help ensure that a new housing project is able to be financed and operated at below-market levels. Land is one of the most significant costs for a project, often representing between 10-20% of a project's costs. Land acquisition is also beyond the capacity of many non-profit housing operators. This is particularly true where lot assembly may be required over a longer period. For these reasons, land partnerships can be instrumental in making below-market housing viable.

How we use it today: The City has provided land many times in partnership with BC Housing to deliver affordable housing developments in the community. To date, the City has leased land for 9 projects to BC Housing for a total yield of 392 units of below-market housing. The land for these partnerships has been acquired opportunistically. Until recently, however, the City has not had a dedicated source of funding to provide a sound basis for predictable partnerships.

In 2020, the City established the Affordable Housing Land Acquisition Strategy (AHLAS) to create a dedicated fund to support ongoing acquisition of land to support affordable housing partnerships. According to the AHLAS, funding would be provided through three primary sources: revenue from Online Accommodation Platforms (OAP), such as Airbnb; revenue from new development through tools such as density bonusing; and, taxation contributions. Revenue from the OAP sources has met the target funding levels. For development contributions and taxation, the AHLAS program has been working towards achieving its original financial targets incrementally. However, land values in the meantime have increased substantially, meaning that original target funding levels may warrant an increase.

Opportunities: There is an opportunity increase taxation contributions to reflect land value increases to allow the program to achieve or to exceed its original objectives. In addition, the structure of the density bonus program (see Current Incentive #2) has a direct relationship to AHLAS funding. The program may warrant review to explore increasing revenues. Increased revenue from these two sources would substantially improve the ability of the AHLAS program to provide a sustainable, predictable source of land for below-market housing partnerships.

2. Density Bonus Program

Description: A density bonus program is a tool that can help achieve civic objectives that are not associated with more traditional funding sources such as taxation or Development Cost Charges (DCC). In a density bonus program, additional developable area (density) is granted by the City in exchange for a prescribed fee or direct provision of certain public benefits, such as below-market housing. Density bonus zoning is enabled by the Local Government Act, Section 482.

How we use it: The City has had a limited density bonus program for many years, but it has never included any housing objectives. An overhaul to the City's program was undertaken as part of the development of the new Zoning Bylaw. The bonusing program update aimed at achieving two key urban planning directions outlined in the 2040 OCP:

1. Increasing the supply of rental housing and below-market housing stock.
2. Improving the quantity and quality of public amenities through investments to sidewalks and the pedestrian realm.

The program relies upon a prescriptive formula-based approach to be fair, transparent, and predictable to the development industry. Developments using the density bonus must use the formula to determine a fixed payment to the City. The payment is not intended to represent the market value of the increase in density. Rather, it is a payment required for passing a density threshold and is based on the costs of land for future affordable housing projects. Developments that are eligible for bonusing are limited to the City's Core Area, where higher densities are an OCP goal. A full description of the density bonusing program can be found in a [report to Council](#) on April 11, 2022.

Funding for housing received by the density bonus program is directed to the Housing Opportunities Reserve Fund (HORF), whose primary goal is to acquire land to partner for the delivery of below-market housing. Participating projects are required to provide their financial contribution as a condition of Development Permit issuance.

To date, the density bonus for below-market housing has received considerable interest. Several projects seeking to participate are at various stages of approval. However, no financial contributions have been received yet. Over the course of its first year, the renewed program will be evaluated and monitored to determine if adjustments are needed.

Opportunities: The density bonus program was established with the capacity to be expanded in the future. Future expansion areas include:

- Adjusting the bonusing formula to increase the level of payment required by each development. This would create more funding for achieving the desired objectives of the program, but must be balanced so that there is always a net benefit to developers for utilizing the additional density.
- Regulations could be introduced that allow developers to qualify for the additional density based upon the direct provision of a set number of affordable housing units within the development. For example, the City of Victoria requires that projects accessing certain density bonuses provide 20 percent of units at below-market rents. Long-term management of units dispersed across the city should be considered before taking this approach.

3. **Parking Reductions**

Description: All new residential development is required to provide off-street parking spaces. These requirements do not distinguish between the tenure or affordability of housing. However, research suggests that both tenure and affordability levels have significant impacts on parking demand. In short, rental and below-market rental require less parking than market condo projects. Using this research and logic, parking requirements can be reduced for below-market housing, representing very substantial financial savings (approximately \$40-70,000 per stall).

How we use it: The City currently provides a parking reduction for rental housing projects that utilize Rental Tenure zoning (Zoning Bylaw, Section 8.2.11). This zoning guarantees that the building will remain rental. A 10 percent reduction is provided to rental projects outside of an Urban Centre, and a 20 per cent reduction is provided to projects located within an Urban Centre. There is no requirement for affordability in relation to the incentive as currently structured. Uptake on this incentive has been strong.

Further precedent exists in the City's zoning bylaw for recognizing that some residential uses generate lower levels of parking demand. Supportive housing, for instance, acknowledges that seniors may use private vehicles less frequently and sets a lower parking requirement accordingly. Similarly, very low and low income households are less able to afford private vehicles, suggesting that deeply affordable housing can make a strong case for parking reductions.

Opportunities: There may be further opportunity to reduce parking standards if connected to the provision of below-market housing. Examples from other municipalities range up to a 50 per cent reduction (e.g.: City of Victoria). This would provide a significant incentive for below-market housing development, one that would come at no financial cost to the City. In addition, this would reinforce the role of sustainable travel as a way to reduce the cost of living.

4. Grants in-lieu of DCC / DCC waivers

Description: All new housing projects, including below-market projects, are subject to Development Cost Charges (DCC's) of between \$25-35,000 per unit of apartment housing. DCCs are collected in order to account for the impact of new development on the City's infrastructure systems. For below-market housing, these costs are significant. Two tools exist to provide below-market housing with some relief from the impacts of DCCs. Grants may be provided to new below-market housing projects to help offset the DCC cost. Alternatively, DCC legislation specifically allows reductions or waivers of DCC charges for below-market housing.

How we use it today: All residential development pays the full cost of DCCs. No waivers or reductions are provided. The City currently provides an annual grant funding pool of \$300,000 that is available to non-profit housing providers to help offset DCC costs. Eligibility and other program details are established in Council Policy No. 335 – Rental Housing Grants Eligibility. Typically, this helps support about 10-20 per cent of DCC costs, depending on the number of qualifying projects in each grant cycle.

Opportunities: DCC legislation allows the City to waive or to reduce DCC's for affordable housing projects (LGA, Division 19, Section 563). This approach, however, means that the lost revenue in the DCC program must be recovered through increased charges for other development, or increased taxation contributions. Alternatively, the size of the annual grant program could be increased to provide greater support for below market housing by targeting a higher share of DCC (e.g.: 30-40 per cent). This alternative approach would require increased funding from taxation.

5. Revitalization Tax Exemptions

Description: Revitalization Tax Exemptions (RTE) are a means of encouraging private sector development that meets certain municipal revitalization objectives by foregoing the associated municipal tax revenue. Exemptions can cover up to 100% of the municipal share of property taxes

on the value of improvements and land for a maximum period of 10 years. In addition, where this tool is employed by the City, the province also exempts the eligible projects from school tax.

RTEs are grounded in the Community Charter's provisions for permissive tax exemptions (Division 7). This legislation determines the scope and limits of RTEs as well as all procedural requirements.

How we use it today: The City has a long-established RTE program that encourages new residential and commercial development in selected urban centres, as well as purpose-built rental housing across much of the community. For purpose-built rental housing, the RTE program provides a 100% exemption on the value of improvements only for a period of 10 years. Today, the incentive is primarily utilized to encourage the supply of dedicated rental housing and is not directly connected to any affordability or support requirements.

Since the program's inception, the City has issued a total of 32 RTEs for purpose-built rental projects. Together, these projects represent an annual total value of \$1,377,598 in tax exemption. Of these, 6 have been below-market units developed by non-profits.

Opportunities: Used by itself, the RTE tool is unlikely to provide enough benefit to support substantial contributions to below-market housing. Financial analysis conducted by staff to assess the opportunity to utilize RTEs to support below-market housing identified a minimal potential benefit when used alone. However, when combined with other incentives (e.g.: parking reductions, DCC reductions), there may be greater potential to deliver deeper levels of affordability. Nevertheless, industry feedback and internal analysis suggests that it remains an effective tool to encourage a healthy supply of purpose-built rental projects.

Potential Incentives Review:

1. Affordability Requirements at Zoning

Description: Local governments can mandate affordability standards for new development at the rezoning stage. The intent is to establish a clear, consistent requirements for all new housing development that will result in a more dependable, predictable flow of below-market housing. In these programs, the clear policy establishes mandatory minimums (per cent of total units) that must be provided at below-market levels.

Best Practice: Affordability requirements at zoning are established in several municipalities across the province but have never been implemented in Kelowna. Minimum requirements usually range from between 10-20 per cent of total units (or floor area) of a project that must be delivered at below-market levels set by the local government. For small projects, cash-in-lieu is typically offered as an alternative to a very small number of below-market units.

Affordability requirements at zoning have the potential to generate a significant number of below-market units. In Richmond, for example, over 900 units of below-market rental housing have been delivered under their requirements. However, careful economic analysis should be undertaken when setting affordability mandates. Otherwise, there is a high risk that the requirements make new projects unviable. If the mandates result in a reduction of new supply overall, their negative impacts may outweigh their positive ones. This is one of the reasons by the density bonus approach is more common.

Opportunities: Kelowna could introduce a policy that establishes mandatory affordability standards for new development to be applied at the rezoning stage. This could increase the pace and predictability of below-market housing being delivered to the community. However, careful study and consultation are recommended to inform any proposed regulations.

2. Process Improvements

Description: In most cases, below-market housing is required to go through the same approval processes as market housing. With fewer financial resources at their disposal, this approach puts below-market housing providers at a competitive disadvantage. Employing tools such as pre-zoning and reduced development standards can help give below-market housing some unique advantages.

Best Practices: The City of Victoria recently introduced their Rapid Deployment of Affordable Housing program. The program provides extra as-of-right density (no rezoning required) for non-market rental housing in large parts of the city where two conditions are met: (1) multi-dwelling housing is already a permitted use, and (2) where it is consistent with the Official Community Plan density and height standards. All other approvals (i.e.: Development Permits) are also delegated to staff. These changes are estimated to reduce approval timelines by eleven months.

Opportunities: Kelowna could apply a similar approach to Victoria, however substantial elements would need to be tailored to fit Kelowna's regulatory context. For instance, Kelowna's Official Community Plan (OCP) is not structured to address density and height in the same way as Victoria's and our Urban Centres are already pre-zoned.

There may be opportunities through greater delegation of Development Permit (DP) and Development Variance Permit (DVP) authority to staff. These actions can reduce timelines for these application forms so long as they remain consistent with policy.

Kelowna's development approvals process is already very streamlined, and is among the most streamlined in the province. This is the result of many years of corporate effort. For this reason, the potential benefits of reduced process requirements may be more limited.

3. Affordable Ownership

Description: This category describes a set of tools intended to support the development of affordable (aka: entry-level, starter home, first-time buyers, etc.) home ownership opportunities. The aim is to use home ownership as a means of enabling participating households to share in wealth generation in the long-term.

How we use it: Kelowna previously used a density bonus approach to generate affordable ownership homes. In that program, projects willing to develop and sell a set number of units at rates deemed affordable by the City could benefit from extra density. However, the program resulted in small numbers of affordable ownership units dispersed in projects across the City. With every change in unit ownership came a significant administrative burden needed to verify the sale price of the unit and the income level of the prospective buyers. The City was not equipped to manage these impacts long-term. This contributed to the program being discontinued.

Elsewhere, BC Housing's [Housing Hub](#) program is partnering with local governments and the private sector across the province to develop affordable ownership options. This program uses favourable provincial financing and local government incentives to generate affordability, and all agreements and standards are managed and administered by BC Housing.

Additionally, some local governments, such as Langford and Calgary provide direct financial support (i.e.: down payment assistance) for buyers at certain income levels. This usually comes along with some requirements that help avoid quickly flipping affordable units for profit.

Opportunities: *Housing Hub* has expressed interest in establishing a partnership with the City. A Memorandum of Understanding (MOU) could be established with Housing Hub that would enable the private sector to use the Housing Hub model in Kelowna. Direct downpayment assistance is not recommended as a sustainable local model for supporting affordable home ownership.



City of
Kelowna

Housing Incentives Workshop

March, 2023

Purpose

- ▶ To review existing and potential incentives available to support below-market housing

Outline

1. Context
2. Current Incentives
3. Potential Incentives
4. Additional Considerations



Municipal Roles in Context

- ▶ Housing was once a responsibility of higher levels of government but this has changed over the past 20 years
- ▶ Municipal roles are evolving
 - ▶ Ensuring a diverse supply of housing
 - ▶ Supporting below-market housing



Current Incentives

- ▶ Brief description
- ▶ Overview of how it is used
- ▶ Further opportunities
- ▶ Incentives in order of impact, from greatest to least

Land Partnerships

High Impact

Moderate Cost

▶ Description

- ▶ Leasing City-owned land to partners to develop below-market housing.

▶ How it is used

- ▶ City acquires land and leases it to a third party (usually non-profit) for a nominal fee.
- ▶ Third party works with funders to construct below-market housing.

▶ Opportunities

- ▶ Increase funding for the City to acquire land for below-market housing to support stable, predictable partnerships.

Density Bonus Program

High Impact

Low Cost

▶ Description

- ▶ Additional density is granted in exchange for below-market housing

▶ How it is used

- ▶ Projects provide a financial contribution based on a prescribed formula
- ▶ Financial contributions used to fund land acquisition for partnerships

▶ Opportunities

- ▶ Increase contribution requirements
- ▶ Change from financial contribution to direct delivering of units

Parking Relaxation

High Impact

Low Cost

▶ Description

- ▶ Reduce parking requirements for below-market housing

▶ How it is used

- ▶ 10-20% reductions currently provided for secured rental housing
- ▶ Below-market rental housing generates a lower parking demand
- ▶ Structured parking is extremely expensive

▶ Opportunities

- ▶ Increase the reduction in recognition of the lower level of demand

Grants-in-Lieu of DCC

Moderate Impact

Moderate Cost

▶ Description

- ▶ City provides grants to offset a portion of DCC charges for below-market housing
- ▶ Cities can waive or reduce DCC's for affordable housing

▶ How it is used

- ▶ City funds an annual grant that provides modest DCC relief for non-profits (10-20% of DCC costs)

▶ Opportunities

- ▶ Increase grant contributions to offset a higher share of DCC costs
- ▶ Waive DCC's for below-market housing

Tax Exemptions

Moderate Impact

Moderate Cost

► Description

- Cities waive municipal share of property taxes to support revitalization objectives, including housing objectives

► How it is used

- City waives 100% of municipal taxes on improvements for 10 years
- All purpose-built rental is eligible (some geographic limits)
- Used by itself, it is a tool for rental *supply*, **not** for below-market housing

► Opportunities

- Explore opportunity to layer incentives with RTE to achieve below-market housing

Potential Incentives

- ▶ Brief description
- ▶ Overview of some best practice examples
- ▶ Further opportunities
- ▶ Incentives in order of impact, from greatest to least

High Impact

Low Cost

Affordability Requirements

▶ Description

- ▶ Policy direction applied at the rezoning stage that establishes minimum requirements for below-market units as part of market development projects

▶ Best Practices

- ▶ Requirements range from between 10-20% of units at below-market levels
- ▶ Usually not deeply affordable
- ▶ Cash-in-lieu for small projects

▶ Opportunities

- ▶ Requirements could be established in Kelowna
- ▶ Careful study required - substantial risk of negative overall outcome

Process Improvements

Moderate Impact

Low Cost

▶ Description

- ▶ Removing or reducing process barriers (e.g.: Rezoning, Development Permit) to improve timelines and remove risk for below-market projects

▶ Best Practices

- ▶ Below-market housing benefits from as-of-right (pre-zoned) density
- ▶ Development Permits and minor variances can be delegated

▶ Opportunities

- ▶ Explore as-of-right density for below-market housing, tailored to the Kelowna context and regulations
- ▶ Increase use of delegated permits for below-market housing

Affordable Ownership

Low Impact

Moderate Cost

▶ Description

- ▶ Tools used to support more affordable home ownership opportunities.

▶ Best Practices

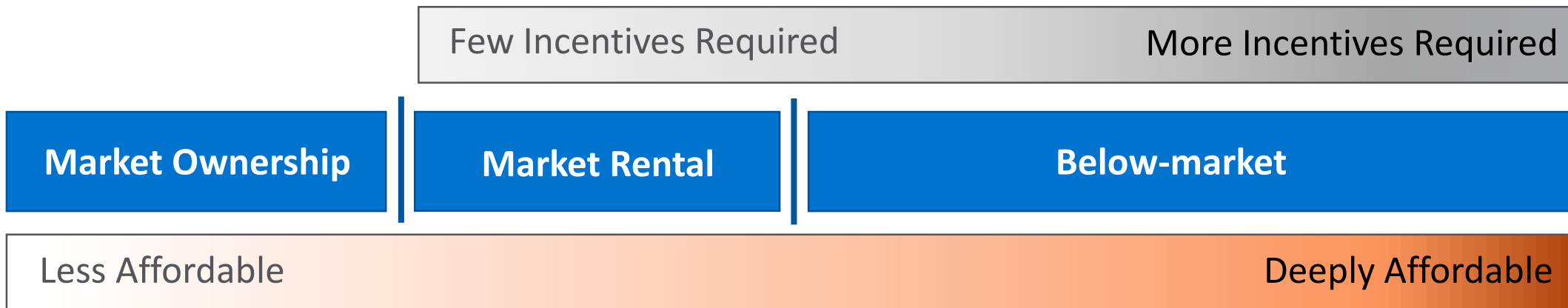
- ▶ *Housing Hub* creates partnerships between the province, local governments and developers to deliver and administer affordable ownership housing
- ▶ Some local governments provide direct financial assistance for qualifying households to afford down payments

▶ Opportunities

- ▶ Developing an MOU with Housing Hub would open up the opportunity for affordable ownership partnerships locally.

Additional Considerations

- ▶ Layering incentives is vital for deeper affordability



Additional Considerations

- ▶ Long-term Program Considerations
 - ▶ Different incentives have different long-term management considerations
 - ▶ Examples: Land partnerships vs. Affordability Requirements
 - ▶ Many options are available to support long-term management
 - ▶ Careful consideration up front is important

Additional Considerations

- ▶ Implementing Affordability
 - ▶ Who should get access to below-market housing?
 - ▶ Most approaches focus on set of households based on income
 - ▶ Very low to moderate income households
 - ▶ Maximum rents are set to be affordable for those target incomes

Summary

- ▶ Municipalities can be part of the solution
- ▶ Supply is the foundation, but will not address housing needs of some households
- ▶ Incentives can help meet needs of low to moderate income households – layering is critical!
- ▶ Housing Needs Assessment and Housing Strategy opportunity



Questions?

For more information, visit kelowna.ca.