

Report to Council



Date: January 22, 2018
File: 0710-40
To: City Manager
From: Ross Soward, Planner Specialist
Subject: Rental Housing Grant Recommendation 2018

Recommendation:

THAT Council receives the report from the Planner Specialist, dated, January 22, 2018 regarding the rental housing grant recommendations for 2018.

AND THAT Council approves the 2018 Rental Housing Grants as identified in the report from the Planner Specialist, dated January 22, 2018, in accordance with the Housing Opportunities Reserve Fund Bylaw No. 8593.

Purpose:

To consider approval of four purpose-built rental housing projects for rental housing grants in 2018, subject to final budget approval.

Background:

Canada Mortgage and Housing Corporation (CMHC), identifies Kelowna as having one of the lowest primary rental housing market vacancy rates for CMAs in Canada, reporting a 0.2 per cent vacancy rate as of November 2017. The high rate of population growth in the CMA over the last several years combined with the limited amount of rental housing constructed between 2010-2015 has put substantial pressure on the City's rental housing supply. According to the CMHC housing portal data, approximately 300 purpose-built rental units received occupancy between fall 2016 and fall 2017. However, CMHC also estimates 1,373 rental housing starts in 2017 in Kelowna.¹ City of Kelowna staff estimate roughly 863 of the 1,070 units approved for rental housing grants in 2017 are under

¹ Canada Mortgage and Housing Corporation. 2017 Housing Marketing Information Portal. Kelowna Census Subdivision data for 2017. Retrieved from: <https://www03.cmhc-schl.gc.ca/hmportal/en/#Apartment>

construction. As these rental units are completed in 2018 and 2019 the region should see a moderate improvement in the vacancy rate for purpose-built rental housing.

The *City of Kelowna Housing Strategy* (2012) identified the goal of developing 300 purpose-built rental units each year as a base amount to keep pace with the City's future rental housing needs. However, from 2007-2016 roughly 1,684 purpose-built rental units were completed (an average of 168/year). The only year where more than 300 units received occupancy was 2016.² The lack of rental housing constructed over this period has resulted in a deficit of roughly 1,300 rental housing units based on the targets from *the 2012 Kelowna Housing Strategy*. Over the last two years, just shy of 800 rental units were completed, but strong population growth over this time has resulted in a further decrease in the vacancy rate to 0.2 per cent.

Based on the recently completed Housing Needs Assessment, Staff have recommended an annual target of 400 purpose-built rentals to meet the growing demand. As a result, continued investments in rental housing will be required to ensure a healthy supply of rental housing exists. Purpose-built rental apartments are an important part of a healthy housing market, ensuring housing options exist for people in transitional periods and those who are not able to own their own home.

Given the significant need for rental housing, the overall amount of funding available for rental housing grants was increased from \$320,000 to \$420,000 for the 2017 and 2018 grant funding cycles. The increase was intended to support the housing sector in its efforts to address the low vacancy rates and take advantage of the strong population growth and low interest rates. As part of the Healthy Housing Strategy staff will be investigating recommendations for the City's rental housing incentive programs this spring.

In order for applicants to be eligible for the grants, a housing agreement must be signed to secure the rental dwellings for a minimum of ten years. After ten years, a request can be made to release the notice of the housing agreement. To discharge a housing agreement Council approval is required as well as a subsequent repayment of the grant funding to the City for the Housing Opportunities Reserve Fund (s. 4.4 and 4.5 of the Housing Opportunities Reserve Fund By-law 8593).

Requesting a release of the housing agreement is unlikely for provincially subsidized non-profit rental housing. Requests for stratification of purpose-built rental buildings could occur, but would only be considered if the vacancy rates for rental housing were above 3 per cent. Letters outlining this process are sent to grant recipients and the letters specify the repayment of the grant is required if the housing agreement is lifted.

² Canada Mortgage and Housing Corporation. 2017 Housing Marketing Information Portal. Kelowna - Completions by Intended Market Data from 2006-2017. Retrieved from: <https://www03.cmhc-schl.gc.ca/hmiportal/en/#Apartment>

The 2018 intake of applications demonstrates the continued response from the housing sector to address the rental housing demand in Kelowna. Notably, approximately 10 per cent of the units recommended for rental housing grants are proposed to be family-friendly three / four bedroom units. The Bylaw maximizes incentives for those units that are 3+bedroom types over those other units that offer 1-2 bedrooms.

Staff recommend the following projects for rental housing grants for 2018, as follows.

1. \$76,062 for 68 units at 555 Fuller Avenue
2. \$159,566 for 154 units at 1360 KLO Road
3. \$115,748 for 58 units at 573-603 Clement
4. \$68,622 for 22 units at 225 Rutland Road South

The rental housing grants have been established to help offset the cost of developing rental housing. The grants are applied against the DCC fees for each project. Based on the rental applications received and the preliminary DCC estimates, the grants are covering (on average) 10-20 per cent of eligible DCCs for the projects below. Subject to final Council approval, the grants and DCC estimates are summarized in the table outlined below.

Project	Dwelling Units Supported	Recommended DCC Grant	Estimated DCC Charges	Type of Units
555 Fuller Avenue	68	\$76,062	\$969,584	Affordable rental
1360 KLO Road	154	\$159,566	\$2,250,000	Seniors Purpose-built rental
573-603 Clement Avenue	58	\$115,748	\$739,304	Affordable rental
225 Rutland Road South	22	\$68,622	\$307,538	Student housing Purpose-built rental
Totals	302	\$420,000	\$4,266,426	

Grant recipients will be notified by letter of the amount of the grant and advised that they need to include a copy of the letter with their building permit application in order to receive a DCC credit, on the DCC's payable at building permit stage, equal to the amount of the grant.

In addition to rental housing grants, application can also be made for a 10-year revitalization tax exemption on new purpose-built rental projects. Applications must be consistent with the OCP and the vacancy rate must be at 3 per cent or less to apply. Staff anticipate several of the grant applicants will also be applying for the rental housing tax exemptions.

Internal Circulation:

Divisional Director, Community Planning and Real Estate
 Department Manager, Policy and Planning
 Manager, Long Range Policy Planning
 Manager, Urban Planning

Department Manager, Community Planning
Divisional Director, Financial Services

Legal/Statutory Authority:

Local Government Act, Section 877. (1) (a) 933.1 (1)

Legal/Statutory Procedural Requirements:

Housing Opportunities Reserve Fund By-law No. 8593

Existing Policy:

2030 Official Community Plan

Objective 10.3 Support the creation of affordable and safe rental, non-market and /or special needs housing

Policies 10.3.1, 10.3.2, 10.3.3 & 10.3.4

Council Policy no. 355 – Rental Housing Grants

Financial/Budgetary Considerations:

Budgeted funds (subject to final approval) allow for a contribution to support 302 rental units at a rate of \$826 per 1-bedroom/studio unit, \$1,653 per 2-bedroom unit and \$3,307 per three/ four-bedroom unit.

Available funds are as follows:

<u>Housing Opportunities Reserve Fund (HORF) – annual budget allocation:</u>	\$300,000
<u>Annual Budget Allocation to Rental Grants to provide partial relief from DCCs</u>	<u>\$120,000</u>
Total Funds Available	\$420,000

Submitted by:
Ross Soward, Planner Specialist

Approved for inclusion:



D. Noble-Brandt, Department Manager Policy & Planning