

Report to Council



Date: March 12, 2018
File: 1200-40
To: City Manager
From: James Moore, Long Range Planning Manager
Subject: Healthy Housing Strategy Proposed Actions
**Report
Written By:** Michelle Kam, Sustainability Coordinator

Recommendation:

THAT Council receives, for information, the report from the Long Range Planning Manager dated March 12, 2018, with respect to the Healthy City Strategy - Healthy Housing Strategy Proposed Actions.

AND THAT Council directs staff to advance the second phase of engagement on the Healthy Housing Strategy.

AND THAT Council directs staff to further investigate and engage on the proposed Policy and Research recommendations outlined in Appendix C.

AND THAT Council directs staff to further investigate and engage on the proposed Zoning recommendations outlined in Appendix C.

AND THAT Council directs staff to further investigate and engage on the proposed Parking recommendations outlined in Appendix C.

AND THAT Council directs staff to further investigate and engage on the proposed Partnership recommendations outlined in Appendix C.

AND THAT Council directs staff to further investigate and engage on the proposed Financial Tools recommendations outlined in Appendix C.

AND FURTHER THAT Council directs staff to further investigate and engage on the proposed Advocacy recommendations outlined in Appendix C.

Purpose:

To update Council on the progress of the Healthy Housing Strategy and to receive input on the proposed actions prior to the second phase of consultation.

Background:

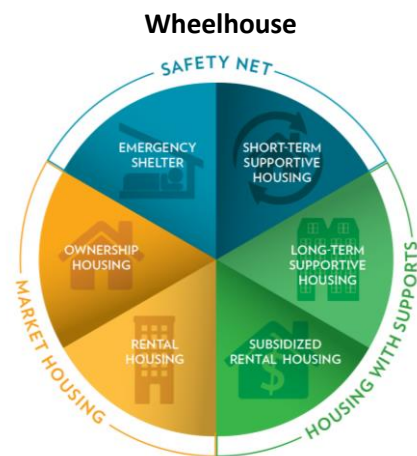
The City of Kelowna, in partnership with Interior Health and UBC, is leading the development of a Healthy City Strategy for Kelowna. This Strategy encompasses six key theme areas. Healthy Housing is the current theme area being addressed through the development of a Healthy Housing Strategy.

Kelowna residents are facing real housing challenges. For some in our community, accessing or maintaining healthy housing is a daily struggle. Kelowna has unprecedented number of people experiencing homelessness, extremely low rental vacancy rates and rapidly escalating home prices, leaving many residents housing vulnerable.

In November 2017, Council received the Housing Needs Assessment (HNA), which provided in-depth research and analysis on housing today and in the future. The Housing Needs Assessment outlined numerous housing gaps and recommendations to be included in the Healthy Housing Strategy including the following:

1. **Bottleneck in the Housing Wheelhouse –**

Trends in market rental and ownership housing put pressure on the long-term supportive and subsidized rental housing areas of the Wheelhouse. Demand for rental units is driving prices up, making rental units increasingly out of reach for low to moderate income and income-supported residents. Individuals accessing the Safety Net and Short-term Supportive housing areas of the Wheelhouse are increasingly stuck – unable to move into long-term secure housing. Additional supply of long-term supportive and affordable rental housing is needed.



2. **Need for greater housing diversity** - In Kelowna, 62 per cent of ownership housing is single detached housing. As the affordability of single detached homes grows farther out of reach for many residents, it is important to increase the diversity of housing forms available to include the 'missing middle' housing types. The 'missing middle' refers to a range of multi-unit or clustered housing types similar in scale to single-family homes that help meet the demands for a walkable city¹. Encouraging a variety of unit sizes will ensure that suitable housing is available for all ages, abilities and household types.

¹ Missing Middle: <http://missingmiddlehousing.com/>

3. **Limited supply and high demand for purpose-built rentals** - Supply is limited, vacancy rates are extraordinarily low at 0.2 per cent, and market prices are high. In addition, major new supply is taking several years to come online. As home ownership is pushed out of reach for many citizens, secure rentals will play an increasingly important role in the system. A stable and consistent supply of approximately 400 units per year will be needed to meet expected demand.
4. **Security of tenure and short-term rentals** - The trend towards secondary rental units in private houses is significant and is only expected to increase. The secondary rental market is considered much less secure, as units are more easily transferred to the short-term rental market or taken out of the rental pool altogether.
5. **The cost of housing is increasing and income isn't keeping pace** - In rental and ownership categories, almost half of Kelowna renters are spending over 30% of their annual income on housing costs. All types of households are feeling the crunch, but lone parent families and single income households are most acutely impacted. Housing costs cannot be understood in isolation. Instead, they must be looked at alongside other related costs so that we can see where there may be key linkages that offer opportunities for positive action. For instance, transportation costs and energy costs are directly related to housing location and construction, but are often left out of housing discussions.

Engagement

The above gaps were used as a basis for the first phase of housing engagement. This engagement included staff, stakeholder and an online public survey. Appendix A outlines the diversity of industry stakeholders involved in the development of the Healthy Housing Strategy and Appendix B summarizes the public survey results.

On December 6 2017, Policy and Planning staff hosted a Healthy Housing Stakeholder Workshop with a wide range of organizations that are involved in or impacted by housing in Kelowna (see Appendix A for stakeholder list). Over 30 organizations including, but not limited to, senior government, non-profits, developers, and community organizations attended. The workshop focused on several topics including innovative forms and tenure, 'missing middle' housing forms, housing partnerships, affordable units in new development and universal and accessible design.

Additionally, residents were invited to share their thoughts regarding housing in Kelowna from November 20, 2017 to January 15, 2018 through an online survey (see Appendix B for the Survey Results Report). This survey provided insight into respondent attitudes regarding current and future housing in Kelowna. A total of 1,563 completed the survey; the highest ratio of respondents being single-family home owners. A few highlights of the survey response include:

- Affordability² was the value that was ranked highest as a priority for the Healthy Housing Strategy, with stability and accessibility for all ages and abilities ranking close behind.

² Housing is considered affordable if shelter costs account for less than 30 per cent of before-tax household income. Shelter costs include rent or mortgage payments, utilities, fees and taxes.

Availability of housing was also identified as a value that should be included in the Healthy Housing Strategy;

- Courtyard/cottage housing and house-plexes³ were the most preferred housing type to be considered to further improve Kelowna's state of housing;
- Fee simple townhouses and rent-to-own were the most preferred housing tenure to be considered to further improve Kelowna's range of housing options; and
- Majority of respondents agreed that *developers and government* both play a role in providing affordable housing units to residents.

Role of Government

All levels of government including federal, provincial and local government, play a key role in housing. Policies, actions and funding are not confined to one level of government, and therefore coordination and collaboration are required between all levels of government to ensure housing is adequately addressed.

Both the Provincial and Federal governments have recently released Housing Strategies which include policies and funding dollars for affordable housing. Ensuring that Kelowna is appropriately poised to receive senior government funding will be included in the Healthy Housing Strategy.

Additionally, the recently approved 2018/2019 Provincial budget will have some implications for housing in Kelowna. The Province has introduced several new measures intended to cool the housing market through moderating demand. Key changes include the following items⁴:

- an immediate increase to the foreign buyer tax from 15 to 20 per cent, with an expansion to Kelowna, Kamloops, Greater Victoria and the Fraser Valley;
- two per cent speculation tax on those who don't pay income tax in BC or have removed their units from BC's long-term housing stock; and
- An increase in property transfer tax from three to five per cent on properties worth more than \$3 million.

Local governments play an important and evolving role in ensuring residents have access to adequate and affordable housing options. Local governments act as regulators to protect community interests, act as facilitators to encourage appropriate housing forms in appropriate locations and provide incentives for the development of rental buildings. Local governments are also well positioned to advocate to other government partners and align efforts with emerging federal and provincial policies and funding programs.

Proposed Actions

The City of Kelowna currently sets policy around housing, as well as provides incentives to encourage rental housing to be built. However, the City has committed to increasing its action around affordable

³ Appearance of a single-family house with the cost savings of an attached home.

⁴ Details of these new taxes are still being investigated and the impacts on the community are not yet known.

housing in Kelowna. The path forward requires bold, innovative and new directions. As Kelowna grows into a mid-sized City and is faced with the related challenges, innovation and leadership is needed to tackle the complex issue of housing.

Using the Housing Needs Assessment as the basis, 23 actions are being proposed to be included in the development of the Healthy Housing Strategy. Appendix C provides details on each of those actions. The actions include recommendations relating to:

Policy – policies such as City land investments, purpose-built rental agreements, short-term rentals and aligning transportation, energy efficiency and universal design into housing.

Research – research such as creating a more detailed inventory of the existing purpose-built rentals to ensure longevity of rental buildings.

Zoning – changes to the zoning bylaw to increase opportunities for affordable housing and innovative forms and tenure.

Parking – updates to the parking regulations to reduce costs and increase flexibility for affordable and innovative forms of housing.

Partnerships – partnerships such as formalizing a partnership with BC Housing, supporting the Regional Housing Needs Assessment and taking a lead role as a hub for community collaboration on housing.

Financial Tools – the municipality has numerous opportunities to revise the financial tools to encourage affordable housing including the creation of an Affordable Land Acquisition Strategy, reviewing Development Cost Charges and revising the Rental Housing Tax Exemption incentives.

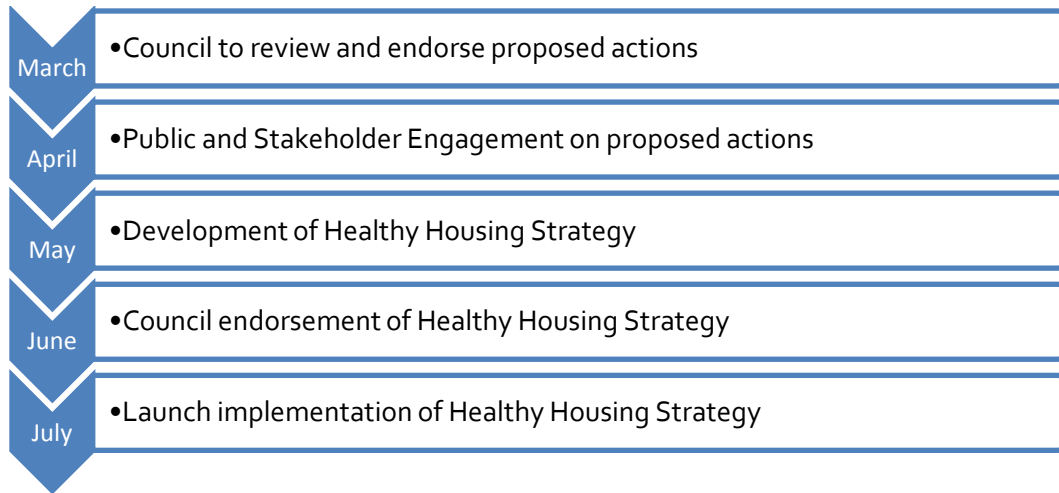
Advocacy – the local government is also positioned to advocate to senior levels of government for additional policies, taxation tools and funding opportunities.

The actions will predominantly be led by the City of Kelowna, however several actions will require further partnerships to be developed and enhanced. The actions range in level of impact, in complexity and in implementation timing to ensure that the Strategy can have short and long-term successes, be implemented within the next five years and that the impact will be felt in the community. These actions have been developed to collectively make a significant positive change to Kelowna's housing challenges.

Next Steps

Once Council direction is provided, staff will further investigate the proposed actions, execute the second phase of consultation, and begin developing the Healthy Housing Strategy content. This phase of consultation will include staff, stakeholders and a public open house on the proposed actions to include in the Healthy Housing Strategy, as well as identifying and solidifying partnerships for those actions. The actions included in the Healthy Housing Strategy will help set direction for development of the Official Community Plan 2040 and its relationship to land use and housing.

The below graphic outlines the steps to develop and complete the Healthy Housing Strategy.



The Healthy Housing Strategy is being built in collaboration with the Journey Home Strategy. The Healthy Housing Strategy will focus on policy, regulatory and partnership opportunities in three priority areas: affordability and supply, rental housing and community for all. The Journey Home Strategy will focus on developing a systems planning approach to address homelessness through the coordination and delivery of housing services and programs. Both strategies will guide work and investments decisions and will be required to significantly shift the needle on housing and homelessness. The completion of these strategies are targeted for end of June 2018.

Delivering on the full spectrum of the Wheelhouse requires challenging decisions that will impact various stakeholders both positively or negatively. The actions recommended in this report position the City into a leadership role to make real change on Kelowna's housing market that is facing unprecedented housing challenges. The goal for the Healthy Housing Strategy is to accomplish a set of actions that seek to have real, measurable and positive impacts on our housing challenges.

Internal Circulation:

- Director, Community Planning & Strategic Investments
- Director, Active Living & Culture
- Development Services Director
- Director Strategic Investments
- Infrastructure Engineering Manager
- Social Development Manager
- Neighbourhood Development Coordinator
- Community Planning Department Manager
- Planner II
- Urban Planning Manager
- Property Officer
- Community Engagement Manager
- Strategic Transportation Planning Manager

Existing Policy:

Official Community Plan goal:

Address Housing Needs of All Residents. Address housing needs of all residents by working towards an adequate supply of a variety of housing.

Official Community Plan objectives:

- 5.9 - Support the creation of affordable and safe rental, non-market and/or special needs housing
- 5.23 - Address the needs of families with children through the provision of appropriate family-oriented housing
- 10.3 - Support the creation of affordable and safe rental, non-market and/or special needs housing

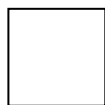
Official Community Plan policies:

- 5.22.7 - Healthy Communities
- 5.22.10 - Adaptable Housing
- 5.22.11 - Housing Mix
- 5.22.13 - Family Housing
- 5.23.1 - Ground-oriented Housing
- 7.3.1 - Housing Mix
- 10.3.1 - Housing Availability
- 10.3.2 - City-Owned Land
- 10.3.4 - Use of the Housing Opportunities Reserve Fund

Submitted by:

James Moore, Long Range Planning Manager

Approved for inclusion:



Danielle Noble-Brandt, Dept. Manager of Policy & Planning

Attachments:

Appendix A – Stakeholder Involvement

Appendix B – Healthy Housing Survey Results

Appendix C – Healthy Housing Strategy Proposed Actions

cc:

Director, Community Planning & Strategic Investments

Director, Active Living & Culture

Development Services Director

Director Strategic Investments

Infrastructure Engineering Manager
Social Development Manager
Neighbourhood Development Coordinator
Community Planning Department Manager
Planner II
Property Officer
Community Engagement Manager
Strategic Transportation Planning Manager
Healthy City Strategy Steering Committee
Healthy Housing Stakeholder Advisory Committee