

Report to Council



Date: November 26, 2018

File: 1200-40

To: City Manager

From: James Moore, Long Range Policy Planning Manager

Subject: Affordable Housing and Revenue from Online Accommodation Platforms

Recommendation:

THAT Council receives, for information, the report from the Policy & Planning Department, dated November 26, 2018, with respect to affordable housing and revenue from online accommodation platforms;

AND THAT Council direct Staff to submit the necessary documentation to Destination BC in accordance with the recommendations outlined in the report from the Policy & Planning Department, dated November 26, 2018.

Purpose:

To consider directing new revenue from Online Accommodation Platforms towards affordable housing initiatives in Kelowna.

Background:

Following changes announced in Budget 2018, the Province has expanded the collection of Municipal and Regional District Tax (MRDT) – formerly the “Hotel Tax” – to Online Accommodation Platforms (OAP). This means that as of October 1, 2018, online accommodation providers (hosts using AirBnB, VRBO and other options) will be required to register and to collect MRDT. Further, the Province confirmed that local governments can use OAP revenues towards funding affordable housing.

In order to access OAP revenues, the City of Kelowna must submit an Affordable Housing Plan to Destination BC and must also report on how the funding was utilized annually. To access the funding for 2019, the required documentation must be submitted by November 30, 2018. If the City does not make application to use the revenue for affordable housing in Kelowna, the revenue will automatically be directed to Tourism Kelowna for marketing use, much like the existing MRDT. City staff have met with Tourism Kelowna to discuss the use of OAP revenues. *Attachment 1* identifies support from Tourism Kelowna for the City to use OAP revenues towards addressing affordable housing.

At this early stage, estimating revenue potential from OAP is extremely challenging. Reliable data regarding the provision of short-term rentals in Kelowna is limited, and the regulatory landscape is shifting. It is estimated that revenue may stabilize and become more predictable after 1-3 years. Staff will be bringing forward proposed regulations for short-term rentals in the coming weeks.

In considering use of the funds, staff reviewed the following options:

1. **Land Acquisition and Rental Housing Grants**

The funds could be directed to the existing Housing Opportunities Reserve Fund (HORF). The HORF is governed by bylaw (Bylaw No. 8593), and funds within it are to be used for the purpose of supporting affordable and core needs housing. Currently, the reserve is funded by \$200,000 annually. The HORF bylaw allows reserve funds to be used both to support land acquisition for affordable housing and to supplement the City's rental housing grants program funding.

2. **BC Housing Partnership**

The OAP revenue could be utilized to provide direct support to a single, specific BC Housing project in the community. This would require further consultation with BC Housing.

With each annual application, the City can shift its focus for use of the OAP revenues. Given time constraints and challenges in estimating dependable revenue, staff are recommending Option 1 at this time. Option 1 will see OAP revenue directed into the Housing Opportunities Reserve Fund (HORF), where it can be used in accordance with the Bylaw No. 8593 to support specific affordable housing initiatives through land acquisition or rental housing grants. This option provides the greatest flexibility for the use of the funds to support affordable housing in the community.

Should Council support staff's recommendation, staff will assess and review the allocation of these revenues over the coming years and will return to Council should it be determined that the funds could be more effectively allocated towards other housing priorities.

Internal Circulation:

Danielle Noble-Brandt, Policy & Planning Department Manager
Sandra Kochan, Partnership Manager
Lorna L. Wilson, Grants & Special Projects Manager
Laura Bentley, Community Planning Supervisor
Johannes Saufferer, Director of Strategic Investments
Carson Chan, Payroll & Internal Controls Manager
Melanie Antunes, Budget Supervisor
Jim Gabriel, Active Living & Culture
Sue Wheeler, Social Development Manager

Existing Policy:

Official Community Plan Bylaw No. 10500

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

Policy 10.3.1 Housing Availability. Support the provision of housing for all members of the community, including those in core housing need or requiring special needs housing (transitional, age in place, emergency or shelter).

Policy 10.3.2 Housing Opportunities Reserve Fund. Maintain a housing opportunities reserve fund.

Policy 10.3.4 Use of the Housing Opportunities Reserve Fund. The Housing Opportunities Reserve Fund shall be used for the City to develop and partner to deliver affordable housing units.

Healthy Housing Strategy

Key Direction 1: Promote and protect rental housing

Key Direction 2: Improve housing affordability and reduce barriers for affordable housing

Key Direction 3: Build the right supply

Key Direction 4: Strengthen partnerships and align investments

Financial/Budgetary Considerations:

Given the variability of potential revenue from this source, staff will review revenues in 2019 and model appropriately for future budget review. Further data is expected to become available from the province as the program moves forward.

OAP revenue will be remitted to the City from the Province – Ministry of Finance on a quarterly basis, commencing in the first half of 2019.

Personnel Implications:

No significant personnel implications are expected.

External Agency/Public Comments:

Tourism Kelowna has provided a letter of support for the City's ongoing use of OAP revenues for affordable housing.

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Communications Comments:

Alternate Recommendation:

Submitted by:

J. Moore, Long Range Policy Planning Manager

Approved for inclusion:



D. Noble-Brandt, Policy & Planning Department Manager

Attachments:

Attachment 1 – Tourism Kelowna Letter of Support