

Report to Council



Date: January 14, 2019
File: 0710-40
To: City Manager
From: Ross Soward, Planner Specialist
Subject: Rental Housing Grant Recommendation for 2019

Recommendation:

THAT Council receives, for information, the report from the Planner Specialist, dated January 14, 2019 regarding a rental housing grant recommendation for 2019;

AND THAT Council approves the 2019 Rental Housing Grants as identified in the report from the Planner Specialist, dated January 14, 2019, in accordance with the Housing Opportunities Reserve Fund Bylaw No. 8593 and Council Policy No. 335.

Purpose:

To consider approval of five projects for rental housing grants in 2019, subject to final budget approval.

Background:

Over the last four years, Canada Mortgage and Housing Corporation (CMHC), has identified Kelowna as one of the most competitive rental housing markets in Canada, reporting vacancy rates below 1 per cent from 2014 to 2017. Over the last three years, the housing and development sector has responded to the strong demand for rental housing with historic levels of rental housing construction. As of fall 2018, CMHC reported a sizeable increase in the vacancy rate from 0.2 per cent to 1.9 per cent. However, it is worth noting that two and three bedroom units are still in very high demand with 0.9 and 1.4 per cent vacancy rates respectively, highlighting that much of the increase in vacancy rates was the result of a large increase in the number of one bedroom units added to the market. To ensure a healthy rental housing market, additional supply is needed across all unit types to meet the growing demand for rental housing in Kelowna. Looking to 2019-2020, the BC Housing Market Outlook projects Kelowna's vacancy rate will continue to rise to above 2 per cent based on the large number of rental housing projects that were under construction as of fall 2018.

To create a more resilient housing system for years to come and to address the City's pressing housing needs, the City of Kelowna developed the *Healthy Housing Strategy* in 2017. An annual target of 400 purpose-built rental units was established to meet the need for future rental housing. The target reflects the importance of encouraging a base level of new rental housing each year to keep pace with Kelowna's growing population and to make up for the deficit of rental housing that arose from reduced investment in rental housing from 2007-2015. As part of the *Healthy Housing Strategy*, the "wheelhouse" identified that a significant portion of the purpose-built rental units should also be in the form of affordable / subsidized rental housing to provide housing affordability for the growing tenant population in Kelowna.

To be eligible for the rental housing 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 not likely for provincially subsidized non-profit rental housing. However, as vacancy rates decrease some landlords may pursue requests for stratification of purpose-built rental buildings that would require council approval. Letters outlining this process are sent to grant recipients and the letters would specify the repayment of the grant is required if the housing agreement is lifted.

The 2019 intake of applications demonstrates the continued response from the non-profit housing sector to address the demand for affordable rental housing units in Kelowna and increased support from BC Housing. Notably, four of the six applications recommended for rental housing grants will provide affordable rental units (subsidized).

The properties being recommended to receive rental housing grants for 2019, are:

1. \$49,984 for 1759 Highway 33 East
2. \$32,833 for 1145 Pacific Avenue
3. \$36,753 for 1044-1074 Cawston Avenue
4. \$21,562 for 1149-1187 Sutherland Avenue
5. \$31,362 for 2080 Benvoulin Court
6. \$147,503 for 333 Drysdale Boulevard

The grants are intended to offset the cost of developing rental housing and are to be 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) 6 per cent of eligible DCCs for the projects below. Subject to final Council approval, the grants and DCC estimates are summarized in the table below.

Project	Units Supported	Recommended Grant	Estimated DCC	Type of Units
1759 Highway 33 East	49	\$49,984	\$1,059,825	Affordable rental
1145 Pacific Ave	31	\$32,833	\$438,602	Market rental
1044-74 Cawston Ave	40	\$36,753	\$484,319	Affordable rental
1149-87 Sutherland Ave	36	\$21,562	\$632,448	Affordable rental

2080 Benvoulin Court	64	\$31,362	\$572,522	Affordable rental
333 Drysdale Boulevard	175	\$147, 503	\$2,456,185	Market rental
Total	395	\$320,000	\$5,643,901	

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 and Planning
Manager, Urban Planning
Department Manager, Community Planning
Budget Supervisor, 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 \$1,960 per three-bedroom unit, \$980 per two-bedroom unit and \$490 per one-bedroom unit for 395 rental units.

Available funds are as follows:

Housing Opportunities Reserve Fund (HORF) – annual budget allocation: \$140,000
Annual Budget Allocation to Rental Grants to provide partial relief from DCCs \$180,000

Total Funds Available

\$320,000

Submitted by:

Ross Soward, Planner Specialist

Approved for inclusion:



J. Moore, Manager of Long Range Policy Planning

cc:

Divisional Director, Community Planning and Real Estate

Manager, Long Range Policy and Planning

Manager, Urban Planning

Department Manager, Community Planning

Director, Financial Services