

February 11, 2019

City of Kelowna
Danielle Noble-Brandt
Department Manager, Policy and Planning

Re: Kelowna's Next Official Community Plan 2020 – 2040

The Canadian Home Builders Association of the Central Okanagan (CHBA CO) applauds the ongoing efforts by the City of Kelowna to ensure a uniform and collaborative approach to the Official Community Plan for 2020 - 2040. The CHBA CO has attended several round table discussion groups with other Industry Stakeholders and we are encouraged by the open dialogue.

Between Industry Stakeholders and City Staff, Growth Scenario 2.5 was developed which is a hybrid scenario that fell between Growth Scenario 2 and 3. This called for the majority of population growth housed in multi-family housing, with 33% of development in suburban areas and 66% in urban areas.

Growth Scenario 3 requires 80% of the population growth to be in the form of multi-family and 20% be provided in single/two family. Further, and possibly of higher market and feasibility impact, only 19% of this growth is to occur in new development suburban areas and 81% will need to occur in urban in-fill areas. In order to achieve this scenario, lands in the SW Mission, Kirschner Mountain and Wilden that are already supported by the current OCP for housing growth, will have to be re-designated with planned development cancelled.

CHBA CO is in full support of the letter submitted by the Urban Development Institute to City staff and Council on February 4, 2019, entitled Why Growth Scenario 3 is a Bad Choice for the Community. Further to the UDI letter, the direct impacts to the Canadian Home Builders' Association of the Central Okanagan is outlined in this letter. We encourage City staff and Council to review all documentation pertaining to the OCP.

The Impact

According to BC Housing, the City of Kelowna currently has 318 licensed builders. Those 318 builders compete for, on average, 656 single family units per year. Under Growth Scenario 3 this number would be reduced to 250. The majority of these builders are small business owners and employ on average 10 employees. **If Growth Scenario 3 is adopted these builders are going to see a reduction in their sales by an average of 62%.** This will cause many companies to either make significant layoffs, close their doors completely, or move to another community.

On average a single-family home provides work for over 60 local trades and represents 1,294¹ impacted establishments with employees in the construction industry. Multi-family units are often built by companies from outside of Kelowna who use trade and suppliers from their area. The Madison on Ellis is a perfect example of this. These large towers don't provide the economic boost to the City that one would assume. The economic impact goes far past just the builder, it impacts all small businesses in the Okanagan that contribute to building a home; designers, cabinets, manufacturers, countertop fabricators, framers, plumbers, material suppliers, etc.

¹ Source: Statistics Canada, Canadian Business Counts, Special Run for CHBA, CANSIM Table 552-0006.

Smaller multifamily units, such as fourplexes or row homes, are a great boost to our economy, but they are not something all licensed builders are familiar with or have the capacity to take on. These units require a large amount of investment money up front. Rather than searching for homeowners to fund a single-family home, builders will now be forced to find an investor to build the project and then homeowners to buy it at the end. Not all companies are set up for this type of process and if they want to restructure their business, it should be because the market dictates it and not because the government has mandated it. With many more products to sell for smaller companies, the uncertainty will lead to higher risks for these companies. With increased risk comes higher prices, which affects affordability.

Housing Affordability

Housing affordability is now one of the greatest threats to sustainable growth in Kelowna. With housing quickly becoming unaffordable for many families and seniors on fixed incomes, the balanced socio-income of Kelowna will be put at risk through Growth Scenario 3. In addition, it will hamper Kelowna's long term social and economic viability as the next generation of families will have to choose elsewhere to live.

Within the proposed growth areas, the majority of sites will not be for sale over the life of the OCP. Typically, less than 3% of land in the city changes hands in a year, even less in the denser urban areas. Within the next 10 years, a very small percentage of the lands within the proposed growth areas will actually be for sale. With all future growth being concentrated in a small area within the city, this will have a significant impact on housing affordability.

With the primary focus being on high density residential buildings, most developers will need to presell a significant portion of the units in order to secure financing to build the project. Companies will need to wait until the market demand is high enough to be able to presell these units, which in turn, will drive up housing costs. High-rise towers of this magnitude could potentially cost \$100 million to construct, therefore removing existing Kelowna developers and home builders from being able to partake in the construction process. This means that large developers, primarily from the Lower Mainland, will be building these. Once again, not only affecting our local builders and developers, but also the hundreds of trades that would work on a project of this type of scale.

Kelowna is amongst many neighbouring municipalities. By Kelowna locking in on this vision, buyers who seek single family homes will head to suburban communities like Lake Country, West Kelowna and Peachland, with many returning to Kelowna for work and core services, while not contributing to the costs through property taxes or DCC's.

Master Planned Communities

Growth Scenario 3 would require projects such as Wilden, Kirschner Mountain and the Ponds to have lands previously approved for development re-designated for non-development use. The amount of time, energy, money and resources that the developers have already invested into these Master Plan Communities will suffer, resulting in:

- Negative financial implications for land owners, developers, and home builders;
- Loss of the sunk costs for studies, planning, engineering and infrastructure that is already in the ground;
- Current infrastructure that does not function properly without the planned development; and
- Developers not being able to fulfill their obligations to existing residents in terms of amenities.

New homes will not be built, local trades will be out of work, park and trail networks will not be constructed, commercial services may not be available, road systems may not be completed, and schools may never be built. By implementing Growth Scenario 3, the entire vision of these developments will go

Canadian Home Builders' Association Central Okanagan

216 – 1884 Spall Road, Kelowna BC. V1Y 8T5

P: 250.861.3988 E: info@chbaco.com W: chbaco.com

unfulfilled, putting residents, developers, home builders, trades, suppliers and the City in a very difficult situation.

Through collaborative planning with industry and government and sufficient lead times, we can transition to Growth Scenario 3 in an effective and efficient way. We can not take these housing communities that are predominantly suburban growth and move towards a more multi-family approach over a relatively short period of time without major consequences. Industry Stakeholders, such as CHBA CO are pleased to work with the City and staff on developing a plan that works for both the industry and the City of Kelowna.

Conclusion

The industry has been working collaboratively towards Growth Scenario 2.5 and with the sudden shift to Growth Scenario 3, it undermines the collaborative process between the City of Kelowna and Industry Stakeholders, such as CHBA CO. Our concerns come from creating good paying jobs and economic opportunity for the existing home building sector, respecting years of community development thus far, and ultimately protecting affordability for those who live in Kelowna now and those who want to join our community in the future.

These Industry Stakeholders have come together because of the shared concerns on this issue and CHBA would like to urge City Council to revisit their decision on Growth Scenario 3 and adopt a growth scenario that does not necessitate the removal of any land currently slated for development from the OCP. CHBA CO would like to encourage City Council and Staff to have further consultation with the industry to find a collective solution between the City and Industry Stakeholders.

Regards,



Cassidy deVeer
CHBA CO President

CC:
Mayor, Colin Basran
City Manager, Doug Gilchrist
Councilors, Maxine DeHart, Ryan Donn, Gail Given, Charlie Hodge, Brad Sieben, Mohini Singh, Luke Stack, Loyal Woolridge