

Report to Council



Date: April 25, 2016
File: 1200-40
To: City Manager
From: Laura Bentley, Planner II, Policy & Planning
Subject: Annual Housing Report Update

Recommendation:

THAT Council receives for information the Report from the Planner II dated April 25, 2016 with respect to the annual Housing Report update.

Purpose:

To provide Council an update on ownership, rental and non-market housing information across Kelowna in 2015.

Background:

Housing Report

Policy & Planning staff compile and report on key housing data on an annual basis. The 2015 Housing Report includes statistics on Kelowna's new housing starts, ownership and rental housing markets, non-market housing, and housing affordability from 2010 to 2015. While the report does not make policy or regulatory recommendations, the data informs the development of other actions and plans, and feeds into annual monitoring reports. The information below highlights key outcomes of the 2015 housing data, with more details available in the 2015 Housing Report.

Housing Starts¹

2015 saw the highest number of housing starts in recent years, with building permits issued for a total of 1,430 new residential units. This is largely due to the significant number of new apartment units. Of the building permits issued for multi-unit residential developments, approximately 25% are expected to be strata townhouses or condominiums, which are generally less expensive than single detached housing, and 75% are expected to be purpose-

¹ Source: City of Kelowna building permits.

built rentals. These units will contribute to a greater range of housing options in both the rental and ownership markets.

Ownership Housing Market²

A total of 3,727 homes were sold in 2015, an increase of 17% over 2014. Over the last five years, the distribution of sales across dwelling types has seen a slight and gradual reduction in the portion of sales attributed to single detached dwellings and a corresponding increase in sales of strata units and row housing units, which may in part be a reflection of the trends in new construction.

The median overall home sale price increased by 2.8% to \$388,500 in 2015. This relatively small overall increase reflects a greater number of sales of strata, semi-detached and row housing units, which together account for 47% of 2015 home sales and generally cost less than single detached dwellings.

Rental Housing Market³

Kelowna's vacancy rate has been decreasing steadily since 2012 and is currently at 0.7% for the primary rental market⁴, compared to the provincial vacancy rate of 1.3%. Three and more bedroom units have the least availability with a vacancy rate of 0%. The average rent for all unit types in Kelowna is \$890 and has remained steady over the last two years, while the provincial average rent is \$1,042.

The number of new rental units has not increased significantly since 2012 and falls well short of the need for 300 new rental units per year identified in Kelowna's 2012 *Housing Strategy*. However, a total of 329 new purpose-built rental units were approved for grants in 2015 under the Rental Housing Grants Policy, the first year the target has been met. It is expected these units will not be reflected in rental market data until fall 2017 at the earliest.

Information on the rental condominium market is available for the first time from the Canada Mortgage and Housing Corporation (CMHC), providing a more comprehensive picture of the rental market. At this time only vacancy rates and the total number of units are reported and cover the entire Kelowna Census Metropolitan Area (CMA)⁵. This data will be included in the annual Housing Report going forward, and will be added to as more reliable data becomes available.

The 2015 vacancy rate for the rental condominium market is 2.1%. Of the total 12,730 condominium units, 25% are rented, demonstrating the significance of these units in absorbing some of the excess demand in the primary rental market.

² Source: British Columbia Assessment Authority (BCAA).

³ Source: Canada Mortgage and Housing Corporation (CMHC).

⁴ The primary rental market represents units in purpose-built rental structures with three or more self-contained units.

⁵ The Kelowna CMA includes the entire Regional District of Central Okanagan.

The secondary rental market⁶ is growing and accounts for over 9,600 households across the Kelowna CMA. The average rent for units in the secondary rental market is \$1,271, substantially higher than the primary rental market; this can be attributed to the difference in the type of units, nearly half of which are single detached dwellings.

The secondary rental market contributes to housing diversity and choice, and absorbs some of the demand for rental housing with the lack of new construction of purpose-built rental apartments and row housing. City processes have been simplified to facilitate the creation of secondary suites within single detached dwellings, and Kelowna was one of the earlier municipalities in the province to support the development of carriage houses. Secondary suites and carriage houses increase rental options, create a greater efficiency of land use and infrastructure, and support more affordable ownership housing.

Non-Market Rental Housing⁷

Non-market housing covers a range of housing serving different needs, including emergency shelters, short-term transitional housing, supportive housing and subsidized housing. This sector has not previously been included in the annual Housing Report. As more information and data sources that offer reliable reporting are identified, they will be added to this report to provide a more comprehensive picture of non-market housing options, need and availability in Kelowna.

Approximately 20 facilities offer emergency shelter and transitional housing in Kelowna and many serve needs related to homelessness or at-risk, addictions recovery, and transitioning to independent living.

The Interior Health Authority maintains a listing of residential care and assisted living providers that offer supportive housing for those who are no longer able to reside at home. Some of these units are partially subsidized while others are paid for privately. Based on the information published by the Interior Health Authority, Kelowna has an estimated 1,305 supportive housing beds or units across 15 facilities offering long-term care.

BC Housing maintains a listing of housing providers that provide subsidized long-term housing with rent geared to income. In Kelowna, BC Housing identifies three housing developments that provide subsidized housing for singles and couples, and another 26 developments that provide housing for families, seniors, and adults with disabilities. A total of 1,347 subsidized housing units are identified, of which 83 are geared to singles and couples, and the remainder are for families, seniors, and adults with disabilities. The majority are one and two bedroom units.

⁶ The secondary rental market represents units in private structures (e.g. rented homes, suites, carriage houses) with less than three self-contained units, and does not include condominiums.

⁷ Source – Supportive Housing: Interior Health Authority Residential Care and Assisted Living Listings.
Source – Subsidized Housing: BC Housing Subsidized Housing Listings.

Housing Affordability⁸

Housing is generally considered unaffordable when the amount spent on shelter is 30% or more of total before-tax household income. Based on the 2011 National Household Survey, just over 30% of households in the Kelowna CMA had unaffordable housing costs in 2010. Approximately 80% of these households had household incomes below the median and the rental market represents a disproportionate share of households spending 30% or more on shelter. Updated data will be available in 2017 once the results of the 2016 Census are released.

The median multiple is one indicator of housing affordability for the ownership housing market, comparing median household income against the median home price to measure the number of years of wages needed to purchase a home. The targeted median multiple is 3.5. Although the median multiple is still well above the target at 6.2, it is gradually trending in a more affordable direction.

For the rental housing market, BC Housing's Housing Income Limits represent the household income needed to afford the average market rent, as identified by CMHC. They are used to determine eligibility for subsidized housing and the 2015 Housing Income Limits range from \$26,000 for a bachelor unit to \$50,500 for a three bedroom unit. These incomes are below the 2015 median household income of just over \$62,500.

Plans & Programs Supporting Housing Initiatives

Kelowna's *Official Community Plan (OCP)* and *Housing Strategy* establish the framework for policies, plans and processes that support the creation of housing options that are diverse, affordable and cover the full housing spectrum, from core need to subsidized to market housing.

The 2012 *Housing Strategy* identifies 25 policy, zoning and procedural recommendations regarding the City's approach to housing supply. Of these recommendations, 17 are complete, three are in progress, four are ongoing and one has been postponed. The completed recommendations have contributed to an increased supply of housing options for households of different demographics and needs.

Several City policies and programs focus on supporting the creation of non-market affordable housing, alleviating rental shortages, and encouraging the development of entry level market housing. Specific incentive policies for various forms of housing are outlined below.

⁸ Source – Affordable Housing Demographics: Statistics Canada, 2011 National Household Survey, Statistics Canada Catalogue no. 99-014-X2011031.

Source – Median Household Income: Environics Analytics.

Source - Median Home Sale Price: BCAA. Source – Average Monthly Rent: CMHC Rental Market Report – Kelowna CSD – Fall 2014. Data represents the primary rental market.

Source – Annual Household Income Limit: BC Housing 2015 Housing Income Limits.

Kelowna's Policies & Programs Supporting Housing Needs

Policy or Program	Type of Housing Supported	Description	2015 Highlights
Housing Opportunities Reserve Fund (Bylaw No. 8593)	Affordable housing	Using taxation, land sales, revenues and other resources, the City acquires lands suitable for development that includes affordable housing. Land is then leased or sold to achieve projects that include a proportion of affordable housing.	The Fund was used in conjunction with the Rental Housing Grants Policy to support the development of 329 new purpose-built rental units.
Rental Housing Grants Policy (Council Policy 335)	Affordable housing Purpose-built rental housing	The Policy encourages the construction of new rental housing units through grants up to an amount equal to the Development Cost Charges (DCCs). Applicants must enter into a housing agreement that secures the units for rental housing.	Six rental buildings with a total of 329 eligible units were approved for a total of \$285,895 in grant funding. This marks the first year since the development of the <i>Housing Strategy</i> that the goal of 300 new purpose-built rental units per year is being achieved.
Revitalization Tax Exemption (Bylaw No. 9561)	Purpose-built rental housing	The municipal share of property taxes is waived on related improvements to the property. To be eligible, projects must enter into a housing agreement, comply with the OCP Future Land Use designation, and Kelowna's vacancy rate must be at or below 3%.	A Revitalization Tax Exemption was approved for a 24 unit rental building.
Permissive Tax Exemption (Council Policy 327 and Bylaw No. 11145)	Supportive housing	Registered non-profit organizations, including non-profit services and supportive housing with health services, may qualify for some property tax exemptions.	A total of 23 properties that offer special needs housing were approved for tax exemptions, totalling \$55,630 in municipal property taxes for 2016. Additional social services and other organizations related to supportive housing also received exemptions.
Development Cost Charges (Bylaw No. 10515)	Various	Rates are lower for higher density development, smaller dwellings and development located closer to existing services. Housing with support services is charged institutional rates since fewer municipal services are used. Carriage houses and secondary suites have a fixed rate that is lower than other housing types.	The rate structure continues to support higher density development close to existing urban areas, supportive housing and the secondary rental market.

Addressing Homelessness

In Fall 2015 Council approved funding for a term position with the focus of collaborating with other agencies and advancing homelessness strategies in Kelowna. It is expected the work done through this position will help to inform areas of core housing need and demand for supportive and subsidized housing. Staff will work together to achieve a more comprehensive picture of needs and supply across the housing spectrum.

Housing Advisory Group

The next OCP update is scheduled to begin in 2017 and staff will be preparing a comprehensive strategy to guide the process for compiling background research. This may involve specialized consultants and/or advisory panels for some topic areas. Engagement on the housing sector will involve key stakeholders, which could include housing providers, non-profit organizations, researchers and academics, government agencies, and the development community to understand the bigger picture of housing in Kelowna. These stakeholders would advise on key issue areas and best practices to support affordable housing. The strategy will be brought forward for Council's consideration and approval prior to starting background research.

Information Gaps

The housing sector represents a broad range of housing types, from core need to affordable housing to market housing. Information is readily available for market rental and ownership housing through various sources; however, there are several information gaps that staff have identified and are working to address.

The annual Housing Report update does not currently have a robust reporting mechanism for non-market or affordable housing, including shelters, transitional and supportive housing, and subsidized housing. Staff are identifying reliable ways of acquiring this data on a regular basis, and will collaborate to identify further information needs and the most useful means of reporting on this information.

BC Housing

Staff continue to work with BC Housing on possible future affordable housing projects for Kelowna. With Federal funding having recently been identified, it is expected Kelowna could see affordable housing investment in our community in the future.

Internal Circulation:

Divisional Director, Community Planning & Real Estate
Divisional Director, Active Living & Culture
Department Manager, Community Planning

Existing Policy:

Kelowna 2030 Official Community Plan

- Objective 5.2: Develop sustainably
- Objectives 5.9 & 10.3: Support the creation of affordable and safe rental, non-market and / or special needs housing
- Objective 5.22: Ensure context sensitive housing development

- Objective 5.23: Address the needs of families with children through the provision of appropriate family-oriented housing

Housing Strategy

- Goal: Strive to ensure that every Kelowna resident has suitable housing

Housing Opportunities Reserve Fund Bylaw No. 8593

Rental Housing Grants Policy 335

Revitalization Tax Exemption Bylaw No. 9561

Permissive Tax Exemption Policy 327 and Bylaw No. 11145

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Financial/Budgetary Considerations:

Personnel Implications:

External Agency/Public Comments:

Communications Comments:

Alternate Recommendation:

Submitted by:

L. Bentley, Planner II, Policy & Planning

Approved for inclusion:



James Moore, Acting Department Manager, Policy & Planning

cc:

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Attachments:

2015 Housing Report