

HEALTHY HOUSING STRATEGY IMPLEMENTATION

Rental Housing Inventory



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Executive Summary

The City of Kelowna's [Healthy Housing Strategy](#) (2018) aims to address the community's most pressing housing issues, rental housing being one of them. "*Research and inventory existing purpose-built rental housing*"¹ was identified as one of the 19 recommended actions within the Strategy's key directions. Protecting our existing stock of purpose-built rental housing is important if rental housing is going to remain available at a variety of price points. Before clear actions can be recommended and resourced, further research was required into this segment of the local housing system.

Through this project, referred to as the Rental Housing Inventory, staff compiled a detailed inventory of the existing purpose-built market rental stock and purpose-built subsidized rental stock including: building age, units by type (market or subsidized) and number of bedrooms. Prior to the Rental Housing Inventory, the City did not have an up-to-date and complete inventory of its market and subsidized rental buildings.

An inventory has now been created based on BC Assessment data and cross-referenced with the City's business license list, to obtain a more fulsome picture of the current multi-unit rental stock. The inventory is intended to be integrated with City systems and made publicly available through two accessible map layers in Kelowna Map Viewer System.

Rental Inventory Key Findings:

The inventory shows that Kelowna has a total of 8,090 purpose-built rental units, 82 per cent (6,667) of which are primary market rentals and 18 per cent (1,423) are subsidized rentals².

Market Rentals:

- 6,667 rental units within 146 buildings; this includes 6,591 units that have been broken down by unit size³.
- The 1 bedroom and 2 bedroom units make up 80 per cent of the total market rental units.
- 3+ bedroom units making up 3 per cent of the total market rental units.
- 63 per cent of all market rental buildings were built before 1980.
- Geographically, 75 per cent of market rentals are located within the Core Area; 45 per cent of market rentals are located within an Urban Centre.

¹ "Purpose-Built Rental Housing" means a self-contained building(s) containing five or more Dwelling Units that are intended to be used for rental housing. Purpose-built rental housing meets an identified need for housing in the City and does not include buildings that are stratified. Bylaw No. 9561 – Revitalization Tax Exemption Program Bylaw

² The Rental Housing Inventory notes the total number of primary market rentals in Kelowna to be 6,667 rental units (2019). The City of Kelowna [Housing Needs Assessment](#) notes the total number of primary market rentals in Kelowna was 4,804 (2016). This increase is likely due to the influx of new market rental units that came online between 2016-2019.

³ Break down by unit size is not available for all buildings. The details about new buildings takes a couple of years to show up in the BC Assessment's building information table.

Subsidized Rentals:

- 1,423 subsidized rental units within 29 buildings; this includes 1,305 that have been broken down by unit size.
- The 1 bedroom and 2 bedroom units make up 76 per cent of the total subsidized rental units.
- 3+ bedroom units make up 16 per cent of the total subsidized rental units.
- 50 per cent of all subsidized rental buildings were built between 1980-1990.
- Geographically, 84 per cent of subsidized rentals are located within the Core Area; 49 per cent of subsidized rentals are located within an Urban Centre.

Additional Stakeholder Engagement:

In addition to the quantitative data that was collected through the Rental Housing Inventory, staff collected qualitative/anecdotal data through stakeholder engagement using the City's online engagement platform, Get Involved Kelowna. Kelowna property owners and/or managers were invited to share their experience of rental housing. A public online questionnaire was open for three-and-a-half weeks in Spring 2019. Engagement was promoted through two City in Action notices in The Daily Courier newspaper.

The rental inventory showed that 57 per cent of all purpose-built rental buildings are 40 years old or older and may, therefore, be requiring substantial upgrades in the coming years. Input gathered from primary market and subsidized rental property owners and managers suggest that most property owners and managers do maintain their buildings over time. In fact, the questionnaire results showed that 77 per cent of respondents (39/51) will be upgrading their buildings within the next 10 years, with windows/doors, exterior aesthetics, interior aesthetics and energy efficient upgrades being the four most pressing upgrades. Despite these positive results, required major upgrades to older rental buildings is expected to pose a growing challenge in the coming years.

Notably, accessibility/universal design upgrades were not prioritized by rental property owners/managers who responded to the questionnaire as a pressing capital upgrade. However, by 2040, 25 per cent of Kelowna's residents will be 65+ and almost 40 per cent of seniors will be 80 years or older (Healthy Housing Strategy). As Kelowna's population ages, it is important to consider accessibility and/or universal design in purpose-built rental housing. Encouraging accessible/universal design in purpose-built rental housing aligns with the goals of both the City of Kelowna's Community for All Action Plan and the Healthy Housing Strategy.

Moreover, anecdotal comments and responses received through the questionnaire indicate that financial support and funding opportunities from all levels of government plays a key role in the protection of existing rental housing.

Highlights:

Several important observations have been made through this inventory:

- A significant number of market rental units are over 40 years old which increases the need for major capital improvements;

- Family-friendly 3-bedroom units are in short supply among market rentals but are better represented in subsidized rental buildings;
- Most property owners do see the need to maintain their rental buildings primarily to keep status quo or complete the necessary repairs;
- Improvements such as energy efficiency upgrades and accessibility upgrades do not seem to be prioritized; and
- Funding or financing opportunities from all levels of government is instrumental in maintaining, improving and ultimately, protecting existing rental stock.

Next Steps:

Traditionally, the most affordable rental stock is the stock that exists today. The theory here is that new stock, subject to new construction and land prices, will be more expensive to rent than older, existing stock. Protecting this stock from redevelopment becomes even more important if we are going to ensure that adequate rental housing is available at a wide range of price points.

Staff will continue to work with senior levels of government and key stakeholders to promote the protection of rental buildings through policies and regulations, funding opportunities and partnerships. The Rental Housing Inventory report outlines specific steps to achieve these results.

1. Introduction

Rental housing plays a vital role in Kelowna's housing system. For many residents, it is their long-term housing solution. For others, it is a stepping stone toward home ownership. As the ownership market becomes more difficult to enter, the rental market is expected to grow in importance. Between 2011 and 2016, 73 per cent of new households in Kelowna were renter households. This compares to 32 per cent in the previous five years⁴. This robust demand for rental is clear, with very low vacancy rates, 0.6 in 2016⁵ to a slight increase to 1.9 in 2018⁶, across the rental market and prices on the rise in both the rental and ownership markets.

Additionally, for over 30 years there has been very little senior government support for rentals, contributing to a lack of supply of purpose-built rentals. As home ownership is pushed out of reach for many citizens, secure rentals will play an increasingly important role in the system.

1.1 The Wheelhouse

As a foundation for defining housing categories, the Wheelhouse is used as a key organizing element to demonstrate the diversity of housing required for a community. The Wheelhouse is circular and promotes equity and inclusion, recognizing that people may move across categories of the Wheelhouse throughout their lives and that home ownership is not the end goal for all residents.

Rental Housing is captured within two sections of the Wheelhouse:

- 1) *Rental Housing (Market Housing)*
- 2) *Subsidized Housing (Supported Housing)*.



Figure 1: The Wheelhouse

⁴ Statistics Canada, Kelowna (CSD) Community Profiles, 2006-2016.

⁵ CMHC fall 2017 Rental Market Survey – Kelowna.

⁶ [Rental Market Report – British Columbia Highlights – Date Released - 2018](#)

Rental Housing (Market Housing) is divided into two general categories: the primary rental market and the secondary rental market. The primary rental market is defined as five or more purpose-built units constructed for the purpose of long-term rental tenure, typically in apartments or townhomes. For this reason, they provide the greatest stability for renters and their families. The secondary rental market is defined as private housing contributing to the rental market and includes many forms of housing such as apartments, townhomes, secondary suites, carriage homes, and single-family dwellings. These units are an important part of the rental market but offer less long-term stability for tenants⁷.

Subsidized Housing (Supported Housing) includes subsidized rental housing. This type of housing is operated by non-profit housing providers, BC Housing and cooperatives who provide supplemented rents through ongoing government subsidies for low income households.

2. Rental Housing Inventory Relationship to Healthy Housing Strategy

The City of Kelowna's Healthy Housing Strategy⁸ (2018) aims to address the community's most pressing housing issues, one of which is a persistent shortage of rental housing supply, particularly affordable rental housing. "*Research and inventory existing purpose-built rental housing*"⁹ was identified as one of the 19 recommended actions within the Strategy's key directions.

Through this project, referred to as the Rental Housing Inventory, staff compiled a detailed inventory of the existing purpose-built market rental stock and purpose-built subsidized rental stock. Prior to the Rental Housing Inventory, the City did not have an up-to-date and complete inventory of its market and subsidized rental buildings. An inventory has now been created based on BC Assessment data and cross-referenced with the City's business license list, to obtain a more fulsome picture of the current multi-unit rental stock. The inventory has been integrated with City systems and made publicly available (see section 6. Kelowna Map Viewer Updates).

The study also aimed to look at policies, regulations, and incentives at the Provincial and Federal level to determine funding opportunities and protection measures to preserve Kelowna's existing purpose-built rental housing stock. This study is especially timely given that the senior levels of government have prioritized funding into the reinvestment of rental buildings.

⁷ The Rental Housing Inventory does not include the secondary rental market.

⁸ [Healthy Housing Strategy](#)

⁹ "Purpose-Built Rental Housing" means a self-contained building(s) containing five or more Dwelling Units that are intended to be used for rental housing. Purpose-built rental housing meets an identified need for housing in the City and does not include buildings that are stratified. Bylaw No. 9561 – Revitalization Tax Exemption Program Bylaw

3. Best Practices Research

Prior to collecting and analyzing the City of Kelowna data, staff reviewed two recent rental studies; the [Metro Vancouver Purpose-Built Rental Housing: Inventory and Risk Analysis](#) (2012) and the [City of Victoria Market Rental Revitalization Study \(MaRRS\)](#) (2018).

The Metro Vancouver Purpose-Built Rental Housing: Inventory and Risk Analysis was an inventory of purpose-built rental housing in the Metro Vancouver region designed to evaluate the rental housing that is at risk of demolition and redevelopment to alternate uses such as condominium developments. The findings in the Inventory and Risk Analysis indicates that there are several property characteristics that could potentially be good indicators of whether an existing rental property is at risk of demolition and redevelopment.

The City of Victoria Market Rental Revitalization Study (MaRRS) was designed to achieve the overarching action of “Protect existing rental stock” outlined in the Victoria Housing Strategy 2016-2025. The study’s role was to look at policies, regulations, and incentives to preserve Victoria’s stock of pre-2000 market rental housing that typically provides lower rental rates than newer purpose-built rentals, but that may also require significant upgrades for safety, liveability, energy performance, and seismic resilience.

In addition to the Rental Inventory itself, the key takeaways from the MaRRS included direction to pursue a Rental Property Standards of Maintenance Bylaw and Tenant Assistance Policy.

Moreover, the Study outlined energy and seismic upgrade analysis and identified possible incentives that aligned with the City’s Climate Action goals.

In addition to being an important component of the city’s housing stock, aging market rental apartment buildings also represent a large proportion of the city’s buildings-related GHG emissions and, in some cases, are seismically deficient. While energy performance upgrades require capital expenditures, there are also associated benefits, including lower operating expenses, improved tenant comfort and indoor environmental. (Insert from the MaRRS – p. 4-5)

These two studies provided supplemental information for the development of Kelowna’s Rental Housing Inventory. Understanding the work of other local governments within BC helped inform the engagement approach as well as the opportunities to protect the existing rental stock.

4. Inventory and Condition of Rental Buildings (Phase 1)

Methodology

The purpose of Kelowna's Rental Housing Inventory is to show the location of market rental buildings and subsidized rental buildings as well as the number of units in each building and the age of each building. BC Assessment 2019 data was the primary data source for the inventory. The list was cross-referenced with the City of Kelowna's business license list to retrieve information about owner/operators. It is important to note that strata-titled properties, cooperative housing properties, secondary suites, duplexes, and triplexes have been excluded from the inventory.¹⁰

Prior to this project, the City did not have a database of quantifiable information about its market rental housing and subsidized rental housing. The purpose of establishing a complete inventory of rental buildings in the city is thus four-fold:

- Create a current, updatable, and publicly accessible database to integrate into the City's GIS-based data system for future reference and analysis. Such a database will be a vital resource for the development of targeted regulations, policies, and incentives, as well as to help inform other ongoing work such as neighbourhood planning and housing planning efforts;
- Connect with property owners and managers of existing rental buildings to determine challenges and opportunities to maintain and/or upgrade rental stock;
- Connect property owners and managers of existing rental buildings with National and Provincial funding opportunities; and
- Provide information to inform policy and regulatory options to protect existing rental buildings, such as **Rental-Only Zoning**¹¹.

¹⁰ As this is a model, data may not be absolute.

¹¹ Rental-Only Zoning (Residential Rental Tenure Zoning) gives new legislative authority to limit housing tenure to rental in multi-family residential zones. [Residential Rental Tenure Zoning – Bulletin](#)

Deep Dive - Rental-Only Zoning

The *Local Government Statutes (Residential Rental Tenure Zoning), Amendment Act, 2018, S.B.C. 2018, c. 26* makes amendments to the *Local Government Act* and *Vancouver Charter*.

On May 31, 2018, Rental-Only Zoning (Residential Rental Tenure Zoning) came into effect.

The legislation provides local governments with a new authority to zone for residential rental tenure (i.e. rental housing), and enact zoning bylaws that:

- require that new housing in residential areas be developed as rental units; and
- ensure that existing areas of rental housing are preserved as such.

The new rental zoning authority can only be used where multi-family residential use is a permitted use. Within these areas, local governments can now:

- set different rules in relation to restricting the form of tenure of housing units for different zones and locations within a zone; and
- require that a certain number, portion or percentage of housing units in a building be rental.

Prior to this authority coming into effect, local governments in B.C. were not permitted to zone for rental housing.

Rental Housing Inventory

The inventory shows that Kelowna has a total of 8,090 purpose-built rental units, of which 82 per cent (6,667) are market rentals and 18 per cent (1,423) are subsidized rentals¹².

The building stock inventory identified construction pre-1980 as a major contributor to the current market rental building stock, while construction between 1980-1990 was a major contributor to the current subsidized rental building stock.

Notably, in the early 1990s the Federal Government began a process of divestment and retrenchment in terms of housing investment. Up to that point the Federal Government contributed financially to social housing units and provided tax incentives to encourage private sector investment in rental housing. Hence, for over 30 years there has been very little senior government support for these areas of the Wheelhouse, contributing to a lack of supply of purpose-built rentals (GAP 8: Limited supply and high demand for purpose-built rentals. Housing Needs Assessment, p.65).

¹² The Rental Housing Inventory notes the total number of primary market rentals in Kelowna to be 6056 rental units (2019). The City of Kelowna [Housing Needs Assessment](#) notes the total number of primary market rentals in Kelowna was 4,804 (2016). This increase is likely due to the influx of new market rental units that came online between 2016-2019.

Primary Market Rental Buildings

The Inventory shows that Kelowna has a total of 6,667 primary market rental units within 146 buildings; this includes 6,591 units that have been broken down by unit size¹³. The 1 bedroom and 2 bedroom units make up 80 per cent of the total market rental units, with 3+ bedroom units making up just three per cent of the total market rental units available in Kelowna (see Figure 2 below). Moreover, the vacancy rate for 3 bedroom + units is still very low at 1.5 per cent as of October, 2018, which is a slight increase from the 0.0 per cent vacancy in 2015, 2016, and 2017¹⁴. This number further supports the Healthy Housing Strategy Recommendation: *Investigate opportunities to increase the amount of three-bedroom rental units and family-oriented home ownership models* (GAP 7: Need for greater housing diversity. Housing Needs Assessment, p.65).

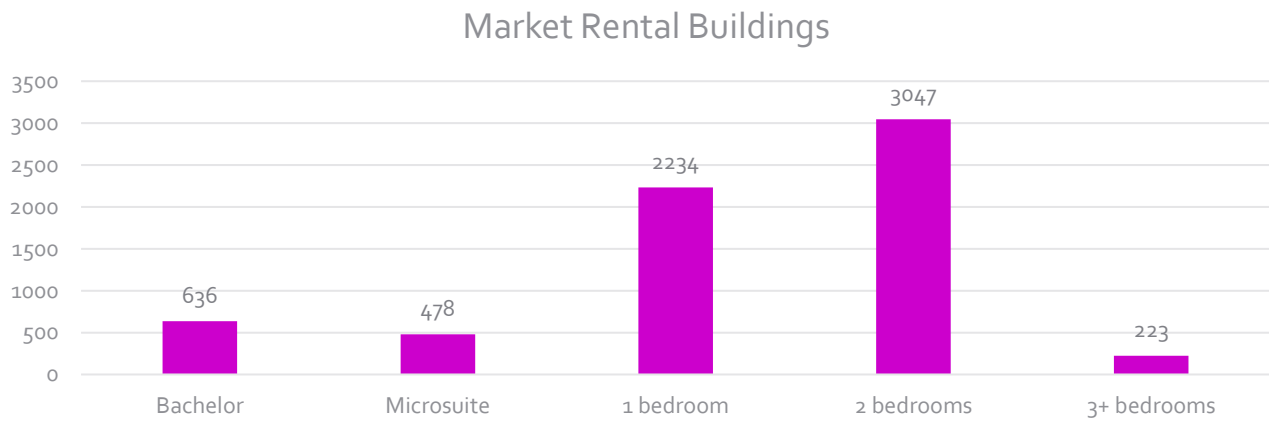


Figure 2: The number of primary market rental units by unit size

¹³ Break down by unit size is not available for all buildings. The details about new buildings takes a couple of years to show up in the BC Assessment’s building information table.

¹⁴ CMHC Rental Market Survey – Kelowna (CY), 2018 [https://www3.cmhc-schl.gc.ca/hmip-pimh/en#Profile/5935010/4/Kelowna%20\(CY\)%20\(British%20Columbia\)](https://www3.cmhc-schl.gc.ca/hmip-pimh/en#Profile/5935010/4/Kelowna%20(CY)%20(British%20Columbia))

As illustrated in Figure 3 below, the majority (63 per cent) of all market rental buildings have been built before 1980, making them nearly 40 years old or older. Notably, it is the older buildings that require the most updates, increasing the financial burden on property managers and owners. These buildings are aging, and some require significant reinvestment to preserve them as a vital component of the market rental housing stock in the City.

Market Rental Buildings - Decade of Construction

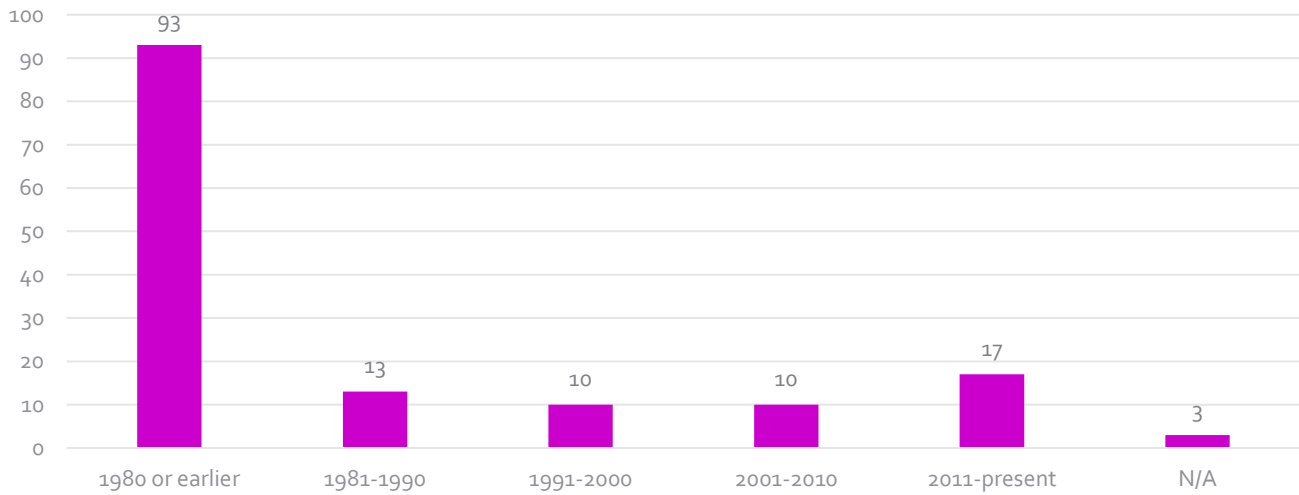


Figure 3: The number of market rental buildings by decade of construction.



(Market Rental Building, Kelowna).

Older buildings typically provide lower rental rates than newer purpose-built rentals, but may also require significant upgrades for safety, energy efficiency, accessibility, and livability. Due to a confluence of factors, such as a low rental vacancy rate, the cost of major capital repairs, lower rents and long-standing tenancies, and a rapid and marked increase in land values, tenants in these buildings could be at a higher risk of living in substandard housing conditions or losing their housing due to major repairs, redevelopment, or ownership changes.

Subsidized Rental Buildings

The Inventory shows that Kelowna has a total of 1423 subsidized rental units within 29 buildings; this includes 1305 units that have been broken down by unit size. Similar to the primary market rentals, the majority (76 per cent) of subsidized rentals are 1 or 2 bedroom units. However, in comparison to the total number of 3+ bedroom market rental units, 3+ bedroom subsidized rental units make up 16 per cent of the total subsidized rental units.

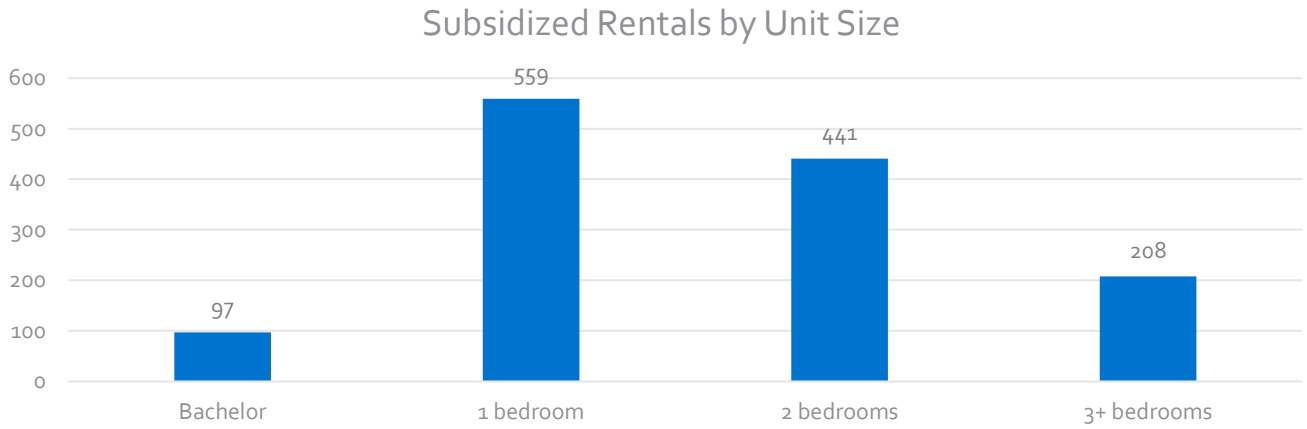


Figure 4: The number of subsidized rental units by unit size



(Subsidized Rental Building, Kelowna)

Figure 5 below summarizes the subsidized rental buildings by age. Over 50 per cent of the buildings were built between 1980 and 1990. Between 1991-2000 there was a significant decrease in new builds, with even fewer new builds between 2001-2010. In 2011 to 2019, there was an increase of new subsidized rental buildings. This could be a result of the extremely low vacancy rate which demonstrated the dire need for rental housing in Kelowna.

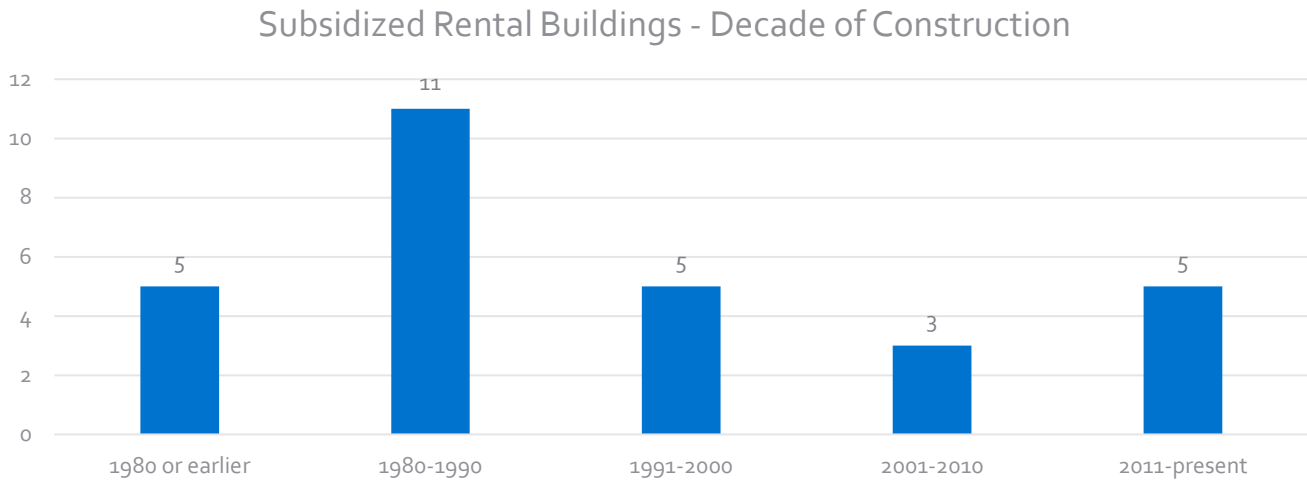


Figure 5: The number of subsidized rental buildings by decade of construction.

Through a detailed inventory of Kelowna’s rental housing stock, several observations relating to building age and unit size are worth noting. Particularly, a significant share of market rental units are over 40 years old which increases the need for major capital improvements and, ultimately, increases the risk of redevelopment. In comparison, subsidized rental units are a bit newer and less likely to need major capital improvements in the near future. In terms of unit size, family-friendly 3-bedroom units are in short supply among market rentals but are better represented in subsidized rental buildings.

5. Rental Inventory by Location

Within Kelowna, 75 per cent of market rentals are located within the Core Area and within that number, 45 per cent are located within an Urban Centre (see Map 1: Rental Housing Inventory on the following page). Eighty-four per cent of subsidized rentals are located within the Core Area, and within that number 49 per cent are located within an Urban Centre (Map 1: Rental Housing Inventory – p. 15). Interestingly, the purpose-built rental buildings that are located outside the Core Area are primarily found within Village Centres, such as near the University of British Columbia, Okanagan or within the Glenmore Village Centre. Also, important to note that rental buildings are primarily situated near transit, employment and amenities.

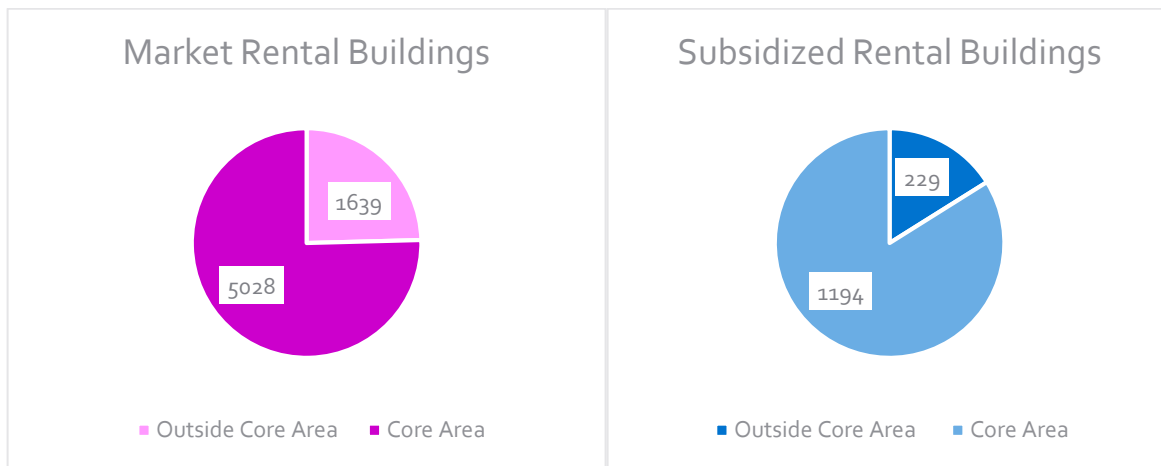
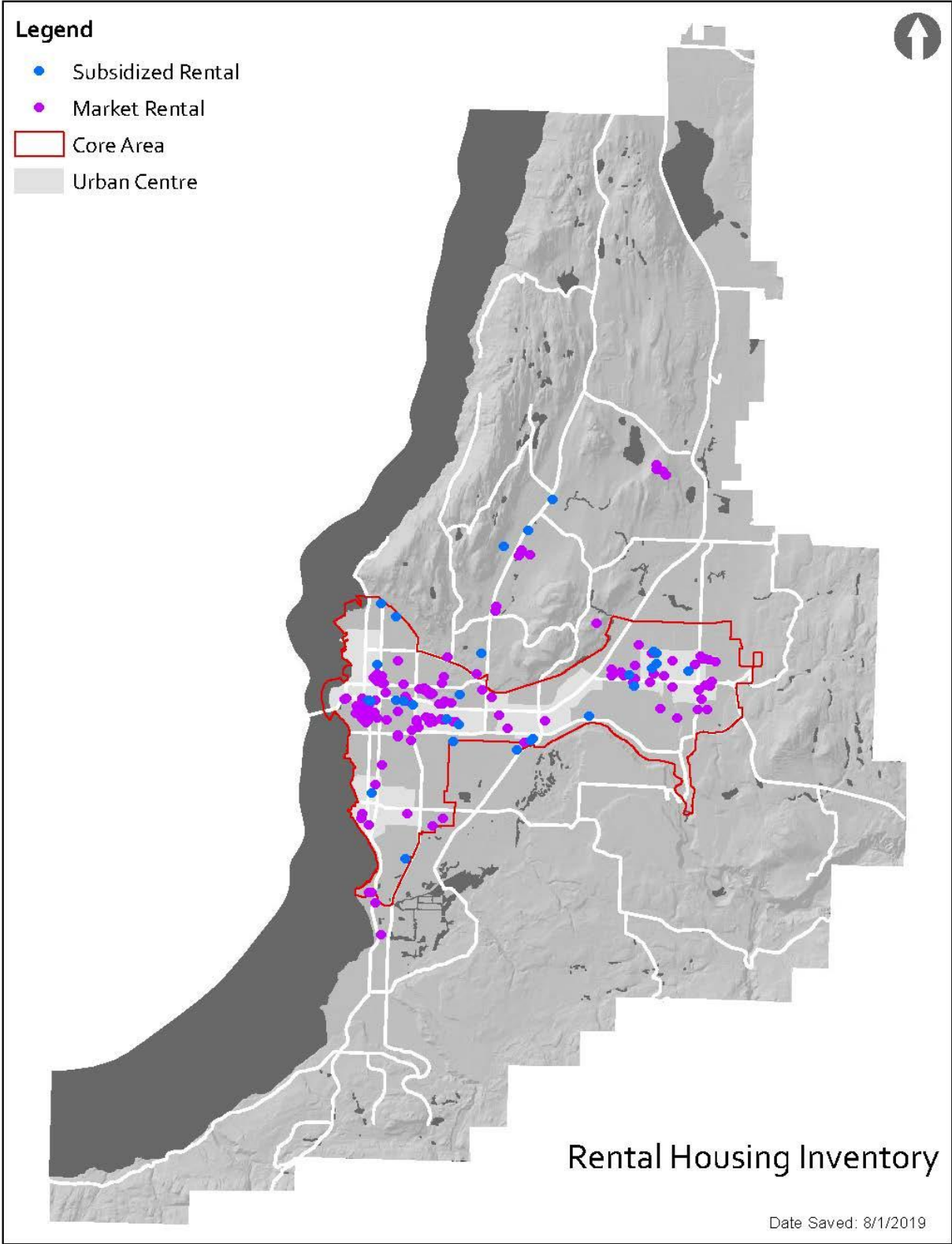


Figure 6: Market rental by location

Figure 7: Subsidized rental by location



(Market Rental Building, Kelowna) – Photo credit Michael Hintringer Photography

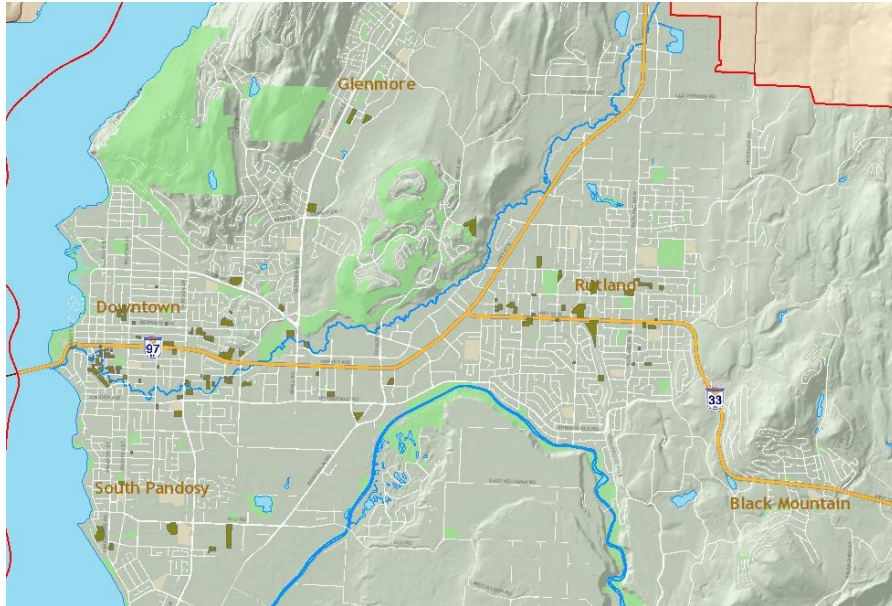


Map 1: Rental Housing Inventory

6. Kelowna Map Viewer Updates

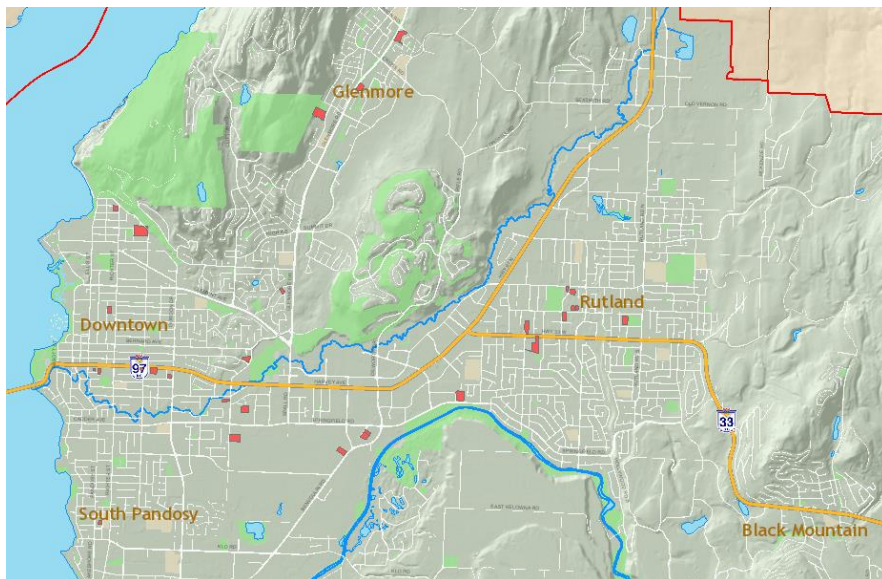
Using the data gathered in the Rental Housing Inventory, staff have prepared two publicly accessible map layers in Kelowna Map Viewer system. These layers provide a real-time overview of the rentals in Kelowna. The two map layers are:

1) Primary Market Rental Buildings



Map 2: Primary Market Rental Buildings – Map Layer

2) Subsidized Rental Buildings



Map 3: Subsidized Rental Buildings – Map Layer

At this point in time, the Rental Housing Inventory data provides the foundation for the primary market rental buildings and the subsidized rental buildings. City staff will update the Kelowna Map Viewer system using data gathered from BC Assessment on an annual basis.

7. Stakeholder Engagement (Phase 2)

In addition to the quantifiable data that was collected through the Rental Housing Inventory (Phase 1), staff collected qualitative/anecdotal data through stakeholder engagement (Phase 2). Using the City's online engagement platform, Get Involved Kelowna, an online questionnaire was created that targeted property owners and/or managers of existing primary market or subsidized rentals. The online questionnaire ran from March 27, 2019 to April 21, 2019. Engagement was promoted through two City in Action notices in The Daily Courier newspaper. The intent of the questionnaire was:

- To cross-check the existing data collected from BC Assessment and the City of Kelowna business licenses (i.e. number of units in a building);
- To gain a better understanding of the current maintenance and upgrade practices; and
- To identify the challenges and/or barriers that property owners and/or managers face with existing primary market or subsidized rentals.

Please note that results from open questionnaires such as this are a collection of opinions and perceptions of interested or potentially affected residents and do not represent a statistically valid, random sample of all Kelowna citizens. This report contains results from an open public questionnaire; therefore, due to the opt-in and open method, results are qualitative in nature and cannot be said to represent views of all Kelowna citizens.

Property Owner and Manager Input

Input gathered from market and subsidized rental property owners and managers suggest that most property owners and managers do upgrade and maintain their buildings as needed over time. Fifty-two per cent of subsidized rental building property owners/managers completed the questionnaire; whereas, only 25 per cent of market rental property owners/managers completed in the questionnaire.

Figure 6 below summarizes landlord and property manager assessments of the current condition of their rental building components. The assessments indicated that windows and doors as well as exterior aesthetics scored the highest in terms of repairs or replacement required. In terms of minor repairs required, this was more evenly distributed between plumbing / hot water systems, balconies / decks and interior aesthetics.

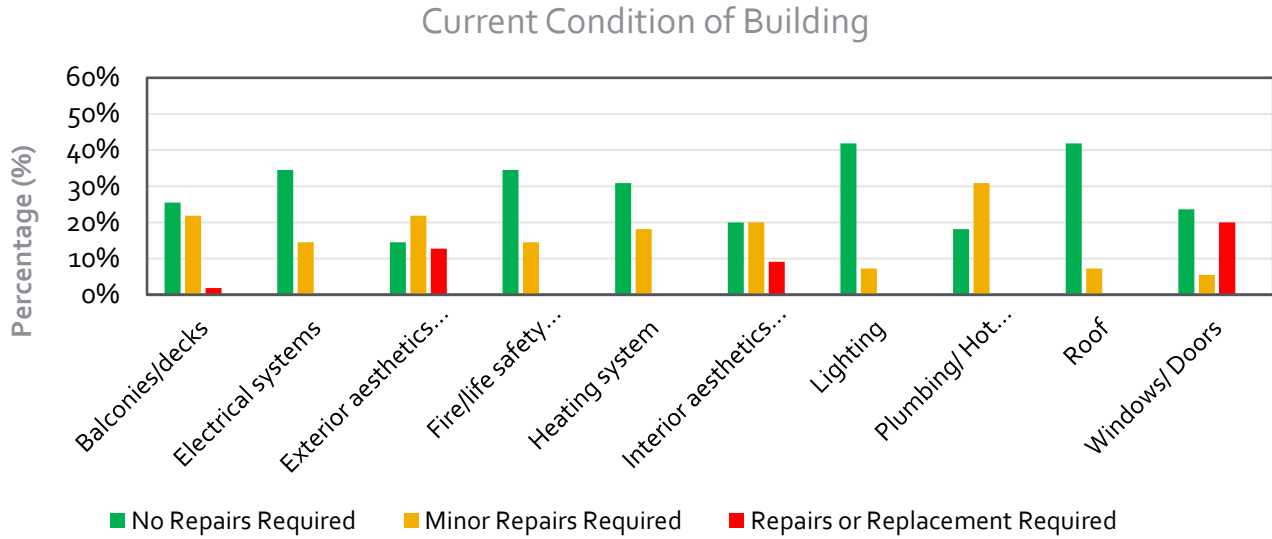


Figure 8: Questionnaire respondents' rating of current building component condition

Figure 9 below summarizes the types of capital upgrades property owners and managers report having completed within the last 10 years. This data supports anecdotal reports that most property owners do invest in upgrading and maintaining their properties over time.

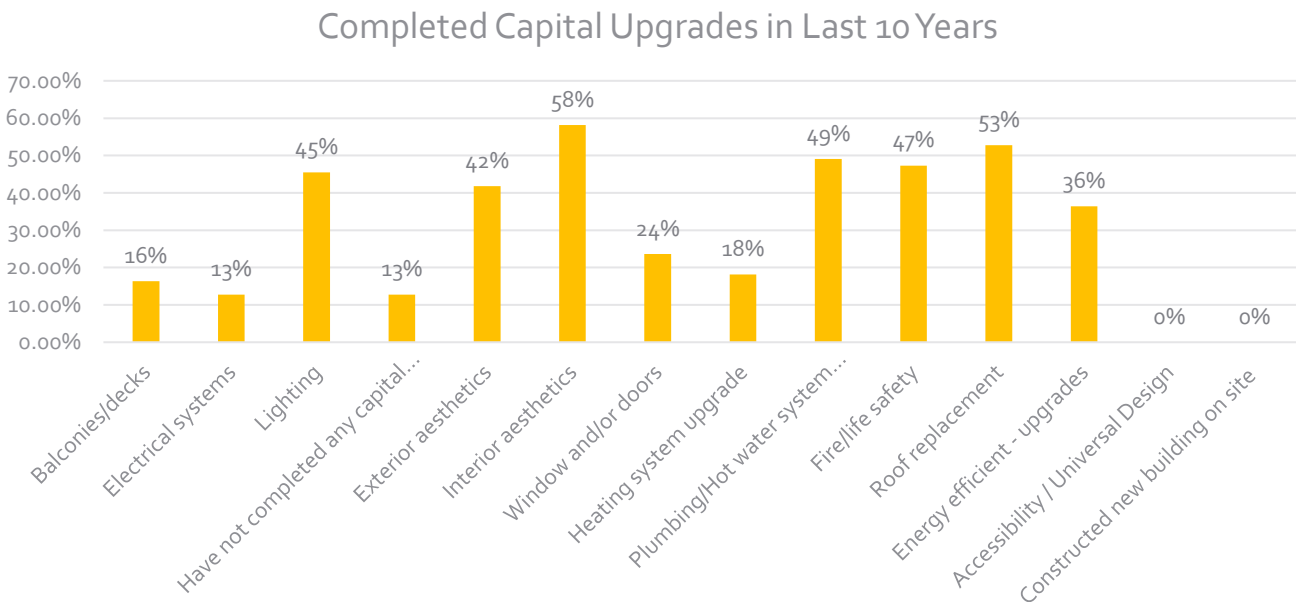


Figure 9: Questionnaire response to the question: What types of capital projects have you completed at your rental property/properties in the last 10 years (check all that apply)?

Deep Dive - Accessibility / Universal Design

For the first time in Kelowna’s history, 2016 Census data shows that the percentage of seniors (65+) is higher than the percentage of youth (0-19 year olds). By 2040, 25 per cent of Kelowna’s residents will be 65+ and almost 40 per cent of seniors will be 80 years or older. As Kelowna’s population ages, it is important to consider accessibility and /or universal design in purpose-built rental housing. Universal design is the design of buildings that make them accessible to people of all ages and abilities. Universal design allows people to age in place, as their home can be modified to meet their current and future needs.

The questionnaire results indicate that rental property owners / managers have not completed any accessibility / universal design upgrades in the past 10 years (see Figure 7 above). Moreover, the questionnaire results suggests that the rental property owners / managers have not considered completing any accessibility / universal design upgrades in the next 10 years (see Figure 8 below). However, as part of some of the current funding programs, accessibility requirements must be included to receive the funding. Encouraging accessible / universal design in purpose-built rental housing aligns with the goals of both the City of Kelowna’s [Community for All Action Plan](#) and the [Healthy Housing Strategy](#).

As illustrated in *Figure 10* below, interior aesthetics and exterior aesthetics scored the highest when property owners and managers were asked what type of capital upgrades that they are most likely to complete in the next 10 years. 24 per cent of the respondents noted energy efficiency upgrades and none of the respondents noted accessibility or universal design upgrades. The lack of recent or planned investment in accessibility could have a detrimental effect on Kelowna’s aging senior population or those with mobility challenges. Anecdotally, developers have identified that it is the costs associated with making units accessible that is the main reason for not investing in these types of capital upgrades.

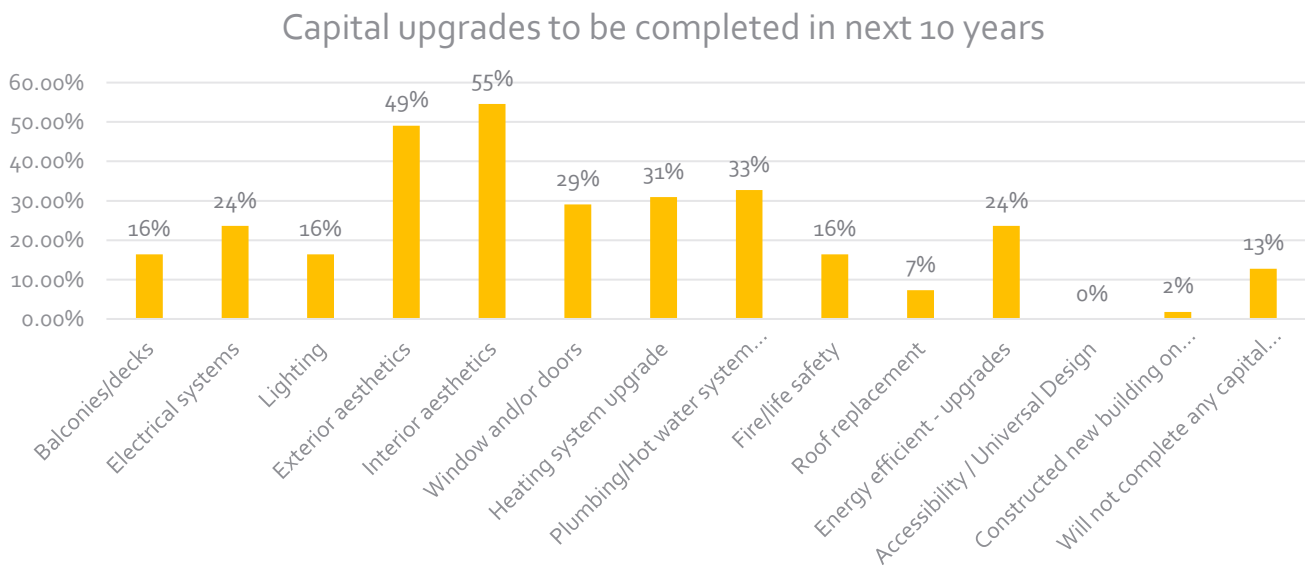


Figure 10: Questionnaire response to the question: What types of capital projects are you most likely to complete in the next 10 years (check all that apply)?

Deep Dive - Energy Efficiency

While the questionnaire results indicate that some rental property owners / managers in Kelowna have completed energy efficiency upgrades in the last 10 years (36 per cent of respondents) (see Figure 7) and/or plan on completing energy efficiency upgrades in the next 10 years (24 per cent of respondents) (see Figure 8), it is likely that market barriers/failures have prevented more upgrades and will continue to hinder the adoption of energy efficiency upgrades unless these barriers/failures are addressed. Current initiatives to address energy efficiency in the rental housing market is discussed in Section 7.

Energy efficiency in the building sector presents an opportunity to address three energy-related problems: energy security, climate change, and equity. Despite the opportunities and technological advances that have made energy efficiency upgrades feasible and more affordable, there remains an “energy efficiency gap” (de T’Serclaes & Jollands, 2007). This gap is even more prominent in the rental housing market, where multiple market barriers/failures inhibit energy efficiency improvements. The market barriers/failures range from inadequate access to capital, information asymmetry (energy users do not have enough information to know how energy efficient the equipment is) and split-incentives (de T’Serclaes & Jollands, 2007).

Among the barriers, the split-incentive problem is the most common and unique to rental housing (Melvin, 2018; Burfurd, Gangadharan, & Nemes, 2012). In situations when the tenant pays the energy utility bills, the landlord/owner responsible for investing in energy efficient upgrades (e.g., more wall insulation, LED lighting, a higher efficiency furnace, etc.) is not the party who enjoys the energy savings from the initial investment; thus, the landlord may be less willing to pay for upgrades (Melvin, 2018). If the landlord does pay the utility bills, then he/she may be more willing to pay for efficiency upgrades, but the tenant then has no economic incentive to reduce their energy usage. This is described as the “rebound effect” where the percentage of energy savings from efficiency gains are often offset by increased energy use (Wrigley & Crawford, 2017). In either scenario, this split incentive barrier has hindered energy efficiency adoption in the rental housing market world-wide.

Additional feedback:

Finally, respondents were also asked what motivations drive capital upgrades in their rental property(ies). 75 per cent of respondents noted to maintain asset and 58 per cent noted to repair, whereas only 16 per cent noted to improve asset to be competitive.

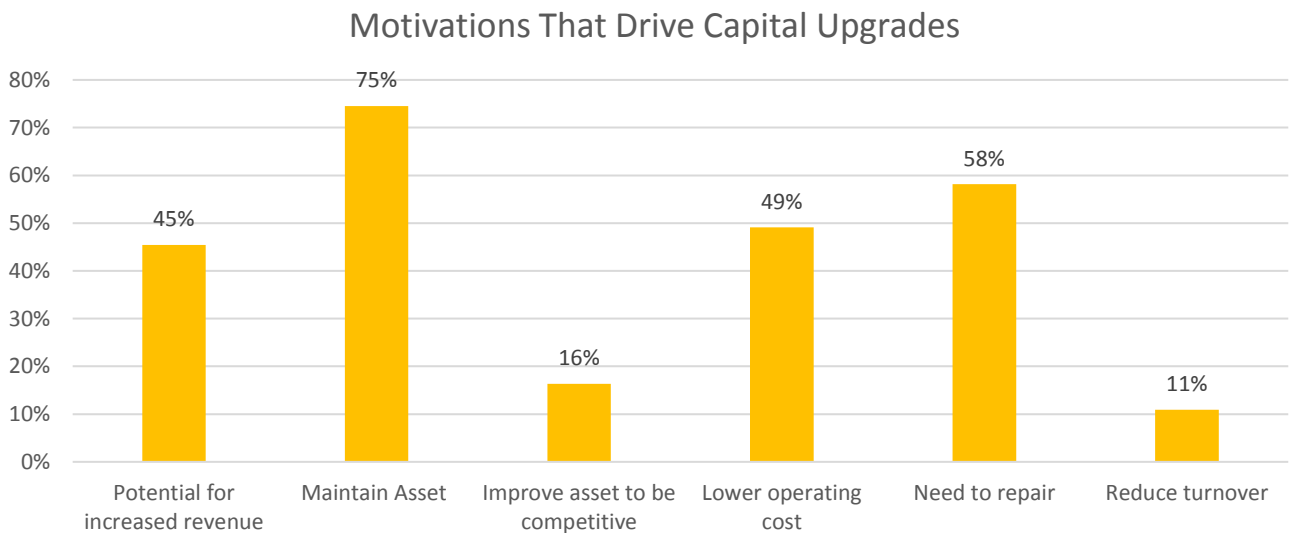


Figure 11: Questionnaire response to the question: What are some motivations to drive capital upgrades in your rental property (check all that apply)?

The rental inventory questionnaire showed that 57 per cent of all purpose-built rental buildings are 40 years old or older and will, therefore, be requiring substantial upgrades in the coming years. To address these issues, the questionnaire results showed that 77 per cent of respondents will be upgrading their buildings within the next 10 years.

Other challenges that were identified by the questionnaire respondents include the lack of coordination of the various levels of government when engaging in a capital projects as well as the difficulty to navigate the administration processes that each level of government requires. One subsidized rental building property owner/manager respondent also identified the challenges that stem from property taxes:

"Property taxes form a substantial part of the annual operating budget of non-profit societies and limit the amount of money that can be put towards much needed capital improvements to continue keeping the project functioning and viable as an affordable housing solution for the future."

With this said, most of the property owners who responded do see the need to maintain their rental buildings primarily to keep status quo or complete the necessary repairs, however, improvements such as energy efficiency upgrades and accessibility upgrades do not seem to be prioritized to the same level. It is evident from the responses received that additional funding or financing opportunities from all levels of government is instrumental in maintaining, improving and ultimately, protecting existing rental stock.

8. Funding and Financing Opportunities for existing rental building stock

Funding and financial incentives are key to ensuring the existing rental stock is not only protected but also improved so that it can respond effectively to the changing needs and demands of our community. As outlined below, municipal, provincial and federal governments, as well as utility providers all play a key role in providing tools and incentives for the protection of the existing rental stock.

Municipal Government

The City of Kelowna offers housing incentives in strategic ways to ensure that the type of housing (e.g.: rental, ownership) and the location of new housing achieve its long-term and overall community objectives. Specifically, the City of Kelowna Healthy Housing Strategy identifies the promotion and the protection of rental housing as one of its four key directions. Currently, the City has two main incentives for new purpose-built rental housing: The Rental Housing Grants Program and the Rental Housing Tax Exemptions.

- Rental Housing Grants Program. The City offers developers of new purpose-built rental housing the opportunity to obtain grant funding as a measure to offset Development Cost Charges. Approved grants are applied against the Development Cost Charges at time of Building Permit.
- Rental Housing Tax Exemptions. The program provides eligible new purpose-built rental housing projects with relief from a share of municipal property taxes. This program is guided by the City's [Revitalization Tax Exemption Bylaw No. 9561](#).

Presently, the City does not have any financial incentives for the protection/improvements of existing purpose-built rental building stock. However, the Healthy Housing Strategy does identify the revision of tax incentives for purpose-built rental housing as one of the recommended action items within the direction "Promote and protect rental housing." What is more, within the Healthy Housing Strategy's direction "Strengthen partnerships and align investments," the City has recognized its role as a conduit to connect rental property owners with funding opportunities from other agencies and higher levels of government. This connection helps to direct the available funding to buildings in Kelowna.

In addition to the City of Kelowna's Healthy Housing Strategy, the Provincial¹⁵ and the Federal¹⁶ governments have also recently released housing strategies which include funding towards protection/retrofitting rental housing.

¹⁵ [Provincial Housing Strategy](#)

¹⁶ [National Housing Strategy](#)

Provincial Government

The Province of BC is focused on making life more affordable for British Columbians through strategic direction from the 2019/20 Mandate letter provided by the Minister of Municipal Affairs and Housing. Key Direction includes:

- Continue to implement, support and report on BC Housing-related programs delivered through the Budget 2018 Homes for B.C.: 30-point Plan for Affordable Housing in British Columbia including the Building BC: Supportive Housing Fund, Indigenous Housing Fund, Community Housing Fund and Women's Transition Housing Fund;
- Facilitate partnerships through the new HousingHub division to create market-based and affordable housing for middle income and working households;
- Support the work of the Province and the Minister of Social Development and Poverty Reduction in leading the prevention and response to homelessness, including the implementation of the Homelessness Action Plan; and

The 30-point Plan details a \$6.6 billion investment into affordable housing over 10 years, where many of the strategies will be addressed by BC Housing to fill current housing gaps in the market, including homes for growing families and seniors, housing options for women and children fleeing violence, individuals experiencing or at risk of homelessness and housing for Indigenous Peoples.

Strategy 24 of the 30-point Plan specifically speaks to "extending the life quality, and affordability of existing affordable housing", which is to invest \$1.1 billion over 10 years into seismic and fire-safety upgrades and essential business repairs through the Capital Renewal Funding program. This investment is the largest funding in refits and renovations of social housing in BC in more than 20 years and is in addition to BC Housing's (the provincial Crown corporation) ongoing budget of \$32 million per year for repairs and improvements to existing stock. This ensures existing social housing continues to be safe and secure and will also lower carbon emissions and cut energy costs for non-profit providers and residents alike.

Federal Government

The federal government is re-engaging in affordable housing through the National Housing Strategy. It provides a platform for the public, private and non-profit sectors to come together. The goal of this strategy is to make sure Canadians across the country can access housing that meets their needs and that they can afford. Over the next 10 years, the Strategy aims to cut chronic homelessness in half, remove 530,000 families from housing need and invest in the construction of up to 125,000 new affordable homes.

To ensure existing rental housing is not lost to disrepair and to develop new, high-performing affordable housing integrated with supports and services, the federal government is creating a \$15.9-billion federally managed **National Housing Co-Investment Fund**. The National Housing Co-Investment Fund alone is expected to create up to 60,000 new units of housing and repair up to 240,000 units of existing affordable and community housing.

Moreover, Canada Mortgage and Housing Corporation (CMHC), Canada's authority on housing, currently

offers the following programs to improve existing rental buildings. Some of the programs are geared to affordable projects, while others are open to standard primary market rentals.

- CMHC Mortgage Loan Insurance
 - [Mortgage Loan Insurance: Standard Rental Housing \(new and existing\)](#). CMHC mortgage insurance offers flexible tools to build, buy or refinance standard multi-unit rental housing.
 - [Mortgage Loan Insurance: Affordable Housing \(new and existing\)](#). CMHC mortgage insurance offers many flexible tools to help you build, repair or improve rental housing. These include:
- [Seed Preservation and Preservation Funding](#) (renovations of existing social housing that is under or was under an operating agreement). Provides non-repayable contributions to support costs related to preservation activities. This can include a Building Condition Audit/Assessment, capital replacement reserve planning, an operating viability analysis and more.

Fortis BC

In addition to the programs available from the Municipal, Provincial and Federal governments, utility companies also have energy efficiency funding for upgrades to existing rental stock. As the local natural gas and electricity service provider in the Kelowna area, FortisBC has multiple initiatives that assist property owners and building managers in reducing energy consumption. The two main programs that could support property owners and building managers include the [Rental Apartment Efficiency Program](#) and the [Energy Conservation Assistance Program](#) (for income-qualified households). Moreover, FortisBC offers financial rebates to upgrade to high-efficiency heating systems, appliances and products.

9. Next Steps

Based on the findings of this report compiled using the information in the Rental Housing Inventory, Best Practices research and the Rental Housing Inventory questionnaire responses, next steps include:

- Hosting a public workshop for property owners/managers of the primary market rental buildings and subsidized rental buildings in Kelowna to connect them with the provincial, national, Fortis BC funding opportunities for their rental buildings in Fall 2019.
- Exploring the possibility of Revitalization Tax Exemptions for existing purpose-built rental building stock as per the Healthy Housing Strategy recommendations.
- Exploring the development of rental-only zoning through the Official Community Plan update process.
- Exploring opportunities to develop density bonus provisions for rental housing in commercial zones.
- Continuing to explore additional incentives and regulations to preserve existing rental housing stock, ensure capital improvements are completed, protect tenancies and prevent renovations, subject to Council approval

10. Conclusions

Suffering from a very low vacancy rate and years of underinvestment from both private and public sectors, rental housing is at the forefront of Kelowna's housing challenges. As home ownership grows out of reach for many, and housing preferences shift, rental will not simply be a temporary state prior to ownership but will be a key permanent pillar of the healthy housing stock.

Traditionally, the most affordable rental stock is the stock that exists today. The theory is that new stock, subject to new construction and land prices, will be more expensive to rent than older, existing stock. Protecting this stock from redevelopment becomes even more important if the City is going to ensure that adequate rental housing is available at a wide range of price points.

The Rental Housing Inventory provides the foundation to understand better the existing rental stock in Kelowna and helps to inform the policy and regulatory changes that may be needed to protect existing purpose-built market rental stock and purpose-built subsidized rental stock.

Several important observations have been made through this inventory:

- A significant number of market rental units are over 40 years old which increases the need for major capital improvements;
- Family-friendly 3-bedroom units are in short supply among market rentals but are better represented in subsidized rental buildings;
- Most property owners do see the need to maintain their rental buildings primarily to keep status quo or complete the necessary repairs;
- Improvements such as energy efficiency upgrades and accessibility upgrades do not seem to be prioritized; and
- Funding or financing opportunities from all levels of government is instrumental in maintaining, improving and ultimately, protecting existing rental stock.

The City will continue to work with senior levels of government and key stakeholders to promote and protect rental buildings through policies and regulations, funding opportunities and partnerships to ensure these key assets are protected and improved over time.

The Rental Housing Inventory has identified six actions to be initiated within three years, as listed in the Implementation Table on page 28, to ensure existing rental housing stock is improved and protected.

Implementation Table

ACTION	LEAD	PROPOSED YEAR	ESTIMATED NEW BUDGET
Continue to update and monitor Rental Inventory and Map Viewer System.	City of Kelowna (Policy & Planning, Development Planning and Information Services)	Ongoing	No additional budget required
Host a workshop to connect property owners/managers of existing rental buildings to funding and financial opportunities.	City of Kelowna (Policy & Planning), BC Housing, CMHC, and Fortis	Fall, 2019	No additional budget required
Explore Revitalization Tax Exemptions for existing purpose-built rental building as an incentive in exchange for major upgrades.	City of Kelowna (Policy & Planning and Finance)	Fall, 2019 - 2020	TBD
Explore the development of rental-only zoning through the Official Community Plan update process to protect existing rental housing from redevelopment.	City of Kelowna (Policy & Planning and Development Planning)	2020	TBD
Explore density bonus provisions for rental housing in multi-family and commercial zones to encourage new rental housing.	City of Kelowna (Policy & Planning and Development Planning)	2021	TBD
Continue to explore additional incentives and regulations.	City of Kelowna (Policy & Planning)	Ongoing	No additional budget required

11. Endnotes

Burfurd, I., Gangadharan, L., & Nemes, V. (2012). Stars and standards: energy efficiency in rental markets. *Journal of Environmental Economics and Management*, 64, 153-168.

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