

# Report to Council



**Date:** November 25, 2019  
**To:** Council  
**From:** City Manager  
**Subject:** Affordable Housing and Online Accommodation Platform Revenue  
**Department:** Policy & Planning

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## **Recommendation:**

THAT Council receives, for information, the report from the Policy & Planning Department, dated November 25, 2019, with respect to affordable housing and revenue from online accommodation platforms (OAP);

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 25, 2019;

AND FURTHER THAT the 2019 financial plan be amended to include up to \$30,000 from the OAP reserve to support the joint tourism sector housing needs study.

## **Purpose:**

To gain Council support to jointly fund with Tourism Kelowna a tourism sector housing needs assessment study

## **Background:**

As of October 1, 2018, all Online Accommodation Platforms (OAP), such as Airbnb, have been subject to the Municipal and Regional District Tax (MRDT) – formerly known as the “Hotel Tax”. Recognizing the unique challenges that online accommodation platforms have posed to the housing market, the Province has supported municipalities in accessing revenue from these platforms to dedicate towards addressing local affordable housing needs. Local governments are required to submit annual plans to Destination BC in order to access the funding.

Revenues from this sector are very difficult to predict, particularly because this new revenue stream has become available at a time when the sector is in flux in Kelowna following the introduction of new regulations. At present, the City has received \$335,800, representing revenue from the period beginning

in October 1, 2018 to June 30, 2019. In response to these new regulations, staff expect significant variation in revenue over the coming 1-2 years.

Over the course of the past year, City staff have continued to liaise with staff from Tourism Kelowna over the status of the OAP funds and to discuss their future use. As part of discussions between the City and Tourism Kelowna about future use of OAP funds, a research project was identified which will support future decision making by both organizations about use of OAP funds. While the City has conducted several important studies relating to housing needs and the rental housing inventory, the perspective of employers and workers regarding how gaps in the housing supply affect staff attraction, retention and the bottom line for businesses is not as well understood. In view of this, the City and Tourism Kelowna propose to undertake in partnership a research project which has the following components:

- a survey of Tourism Kelowna stakeholders to gather information about tourism businesses, employees, wage levels and housing needs/issues;
- a review of baseline data and trends already compiled in a range of housing needs assessments and reports;
- a scan of tourism worker housing strategies used in other tourism-involved jurisdictions;
- focus groups with tourism employees to obtain more in-depth information about housing issues, affordability and ideas; and
- preparation of a report which brings together housing market conditions in Kelowna and area, the perspectives of tourism employers and staff, and potential strategies and solutions.

The work will be carried out by a qualified consultant that is selected in compliance with City Purchasing Policy and in consultation with the City's Purchasing Manager as needed. The consultant selection will be endorsed by both Tourism Kelowna and the City. The project budget is up to \$40,000 which includes consulting fees and expenses, and GST, and will be cost shared by Tourism Kelowna and the City. The City's share (up to \$30,000) will be paid from OAP revenues, and Destination BC has confirmed that use of OAP funds for this study is within their guidelines.

#### **Discussion:**

OAP funding has been made available to municipalities in recognition of the impact that short-term rentals are having on housing affordability. With persistent housing affordability challenges in Kelowna, staff are recommending that the OAP funding continue to be directed to the Housing Opportunities Reserve Fund (HORF) in 2020 for use in directly addressing affordability locally. As indicated in *Appendix A*, Tourism Kelowna has confirmed their understanding of the City's plan to continue to apply OAP revenues to the HORF for 2020.

It is anticipated that the tourism sector housing needs assessment work will be completed by the summer of 2020. Staff will return to Council with a report summarizing the findings of the work at that time.

Once OAP revenues have stabilized and staff from the City and from Tourism Kelowna have had further discussions, staff will review the arrangement and report back to Council with any recommended changes in the Fall of 2020.

#### **Conclusion:**

OAP revenues could represent an important counter-balance to the impacts of short-term rentals on housing affordability in Kelowna by providing a consistent stream of revenue for land acquisition, grants and partnerships. This would be in direct support of the goals of the City's *Healthy Housing Strategy*. However, more time is required for the short-term rental sector to stabilize in Kelowna and for discussions to continue with Tourism Kelowna.

**Internal Circulation:**

Business and Entrepreneurial Development  
Urban Planning  
Real Estate  
Financial Planning  
Accounting Operations

**Considerations applicable to this report:**

***Financial/Budgetary Considerations:***

At present, the City has received \$335,800 in OAP revenue, representing the period beginning in October 1, 2018 to June 30, 2019. Given the likely variability in revenue from OAP sources over the coming year, staff have budgeted an estimated 2020 revenue of \$400,000.00.

***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

***External Agency/Public Comments:***

Tourism Kelowna has provided correspondence in support of staff's proposed use of OAP funds for 2020 – see Attachment A.

**Considerations not applicable to this report:**

*Legal/Statutory Authority*  
*Legal/Statutory Procedural Requirements*  
*Communications Comments*

Submitted by:

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**Approved for inclusion:**



D. Noble-Brandt, Policy & Planning Department Manager

cc:

R. Smith, Planning & Development Services Divisional Director  
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S. Wheeler, Social Development Manager  
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**Attachments:**

Appendix A – Tourism Kelowna correspondence