

Report to Council



Date: January 13, 2020

To: Council

From: City Manager

Subject: Rental Housing Grant Recommendation for 2020

Department: Policy & Planning

Recommendation:

THAT Council receives the report from the Planner Specialist, dated January 13, 2020 regarding the Rental Housing Grants funding recommendation for 2020;

AND THAT Council approves the 2020 Rental Housing Grants as identified in the report from the Planner Specialist, dated January 13, 2020, in accordance with the Housing Opportunities Reserve Fund Bylaw No. 8593 and Council Policy No. 335.

Purpose:

To consider the approval of three Rental Housing Grant applications, subject to final budget approval.

Background:

In fall 2018, CMHC reported an increase in the rental housing vacancy rate from 0.2 per cent to 1.9 per cent. Since the 2018 Rental housing report was prepared by CMHC, over 1,000 long-term rental units were completed and added to the primary rental housing market in Kelowna.¹ The long-term rental housing added over the last 12 months represents a major increase to the long-term rental housing market. Based on the added supply, staff anticipates the forthcoming (January 15, 2019) CMHC Rental Housing Market Report will show a further increase in the rental housing vacancy rate for Kelowna.

To encourage new market rental and affordable rental units, the City of Kelowna has two programs that provide financial incentives; the Rental Housing Grants program and the Revitalization Tax Exemption (RTE) Bylaw program. The Rental Housing Grants program provides grants in the form of Development Cost Charge (DCC) credits for projects that enter into a rental housing agreement with the City for a minimum of ten years. The amount of funding available for the 2020 rental housing grants

¹ CMHC Starts and Completions Survey – Completions by Intended Market, Retrieved November 2019.

is \$300,000 and supports the key directions of the Healthy Housing Strategy.

Discussion:

To improve housing affordability and reduce barriers for affordable housing, Council approved changes to the Rental Housing Grants program on August 12, 2019. The changes to the program shifted the focus from market rental units to affordable rental units. These changes are intended to focus the grants (Development Cost Charge credits) toward projects that will promote affordability in the long-term rental market. Further, the DCC credits are also expected to improve the financial viability of non-market rental projects that are facing rising land and construction costs.

To receive the rental housing grants, projects must have a housing agreement to secure the rental dwellings for a minimum of ten years.² 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's Housing Opportunities Reserve Fund (By-law 8593).

The 2020 applications demonstrate the continued response from the non-profit housing sector and BC Housing to address the demand for affordable long-term rental units in Kelowna. The properties being recommended to receive rental housing grants for 2020, are:

1. \$84,146 for 555 Fuller Avenue - Pathways Ability Society
2. \$135,365 for 969 Harvey Avenue - Evangel Housing Society
3. \$80,487 for 330 Valley Road - NOW Canada Partnership with Springdale Properties

The grants are intended to offset the cost of developing affordable rental housing and are to be applied against the DCC fees for each project. Based on the three rental applications received and preliminary DCC estimates, the grants are covering (on average) 15 per cent of eligible DCCs for the 2020 applications. Subject to final Council approval, the grants amounts are summarized in the table below.

Project	Units Supported	Recommended Grant	Estimated DCC Fees	Type of Rental Units
555 Fuller Avenue	68	\$84,146	\$1,020,000	Affordable apartments
969 Harvey Avenue	42	\$135,365	\$600,000	Affordable apartments
330 Valley Road	32	\$80,487	\$545,000	Affordable townhouses

2. The City has removed the requirement for projects to sign a housing agreement with the City of Kelowna in cases where a long-term operating agreement is in place with the Provincial Rental Housing Corporation (BC Housing).

Grant recipients will be notified by letter of the amount of the grant (subject to Council approval) 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. To apply, applications must be consistent with the criteria established in the Revitalization Tax Exemption Bylaw 9561. Staff anticipates several of the grant applicants will submit applications for rental housing tax exemptions.

Conclusion:

Moving forward, staff will continue to monitor the impact of the Rental Housing Grants program in relation to the overall changes to the Development Cost Charges Bylaw that are anticipated to come into effect in 2020.

Internal Circulation:

Divisional Director, Planning and Development Services
Manager, Long Range Policy and Planning
Department Manager, Policy and Planning
Department Manager, Development Planning
Budget Supervisor
Manager, Building and Permitting

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 Eligibility

Healthy Housing Strategy

Key directions:

1. Promote and protect rental housing;
2. Improve housing affordability and reduce barriers for affordable housing;
3. Build the right supply; and
4. Strengthen partnerships and align investments.

Financial/Budgetary Considerations:

Budgeted funds (subject to final approval) allow for a contribution of \$3,658 per three-bedroom or greater units, \$1,829 per two-bedroom unit and \$914 per one-bedroom / studio unit for the 142 affordable rental units.

Available funds are as follows:

<u>Housing Opportunities Reserve Fund (HORF) –2020 budget allocation:</u>	<u>\$60,000</u>
<u>Annual Budget Allocation to Rental Grants to provide partial relief from DCCs</u>	<u>\$240,000</u>
Total Funds Available	\$300,000

Submitted by:

R. Soward, Planner Specialist

Approved for inclusion: J. Moore, Manager of Long Range Policy Planning