

Report to Council



Date: February 22, 2021
To: Council
From: City Manager
Subject: Rental Housing Grant Recommendations for 2021
Department: Policy & Planning

Recommendation:

THAT Council receives, for information, the report from the Planner Specialist, dated February 22, 2021 regarding a rental housing grant recommendation for 2021;

AND THAT Council approves the 2021 Rental Housing Grants as identified in the report from the Planner Specialist, dated February 22, 2021, in accordance with Council Policy No. 335.

Purpose:

To consider approval of one rental housing grant for 2021.

Background:

Over the last five years, the Kelowna rental market has seen significant increases in average rental rates. In 2015, the average market rental rate was roughly \$900 and as of fall 2020 the average rental rates were \$1,255.¹ The rising rates for market rentals are most pronounced in new purpose-built rental housing. A recent market scan of recently constructed two-bedroom units shows that landlords are asking upwards of \$1,800 / month as of fall 2020. The high rental rates illustrate the need for subsidized (affordable) rentals for those in Kelowna who are not able to afford market rental housing rates.

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 affordable rental housing 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 is \$300,000 and supports the goals of the Healthy Housing Strategy.

¹ CMHC. 2020. Kelowna Rental Market Survey Data for Kelowna. Retrieved from: <https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/rental-market-report-data-tables>

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 of the program from all market rental units to a smaller pool of affordable rental units. By reducing the number of projects eligible to apply for the grants the funding now supports a smaller number of projects and increases the impact of the grants. These changes are intended to focus the grants (DCC credits) toward subsidized rental 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. 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.

For 2021, staff is recommending a rental housing grant of \$300,000 for 2175 Benvoulin Road – Society of Hope. The grant is intended to offset the cost of developing affordable rental housing and would be applied against the DCC fees for the project. A preliminary DCC estimate identifies that the recommended grant would cover roughly 10 per cent of eligible DCCs. Subject to final Council approval, the grant amount is summarized in the table below.

Project Location	Units Supported	Recommended Grant Amount	Estimated DCC Fees
2175 Benvoulin Road	122	\$300,000	\$2,989,610

Conclusion:

The grant recipient will be notified by letter of the amount of the grant (subject to Council approval). Also, the applicant will be advised of the program requirements for them to receive the DCC credit at the time of building permit application. Looking ahead, staff has communicated with three projects that expressed their intention to apply for a rental housing grant in the fall for 2022 funding.

Internal Circulation:

- Development Planning
- Policy and Planning
- Financial Services
- 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 \$7,361 per three-bedroom or greater units, \$3,680 per two-bedroom unit and \$1,840 per one-bedroom / studio unit for the 122 affordable rental units.

Available funds are as follows:

<u>Annual Budget Allocation to Rental Grants to provide partial relief from DCCs</u>	<u>\$300,000</u>
Total Funds Available	\$300,000

Submitted by: R. Soward, Planner Specialist

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