

Report to Council



Date: March 14, 2022

To: Council

From: City Manager

Subject: Affordable Housing Land Acquisition Strategy Action Update

Department: Policy & Planning

Recommendation:

THAT Council receives, for information, the report from the Policy & Planning Department dated March 14, 2022 with respect to the Affordable Housing Land Acquisition Strategy.

Purpose:

To provide Council with updated information on the Affordable Housing Land Acquisition Strategy as part of the Healthy Housing Strategy implementation.

Background:

Previous Council Resolution	Date
THAT Council direct staff to report back to Council with key recommendations on financial resources and policies in the Affordable Land Acquisition Strategy.	January 10, 2022

The City of Kelowna is continuously seeking opportunities to address housing affordability challenges. Among these challenges, a shortage of affordable rental housing has been identified as a critical bottleneck in Kelowna's housing system. This report outlines actions specifically related to the *City's Affordable Housing Land Acquisition Strategy*; a comprehensive review of Kelowna's housing system will be provided in the 2021 Annual Housing Report.

The *Affordable Housing Land Acquisition Strategy* (AHLAS) – a key recommendation of the City's *Healthy Housing Strategy* – was received by Council on January 18, 2021. The overarching goal of the AHLAS is to catalyze the development of more affordable rental housing. The strategy is anticipated to have a high level of impact on improving long-term housing affordability in Kelowna. As per Table 1, below, all recommended AHLAS actions are ongoing or complete.

The AHLAS provides guidance for how the City can fund and optimize land acquisition for affordable rental housing and contribute to partnerships in a timely manner. Stakeholders have consistently identified a lack of available land as a roadblock to building affordable rental housing, and non-profit organizations struggle to compete in the open market – the AHLAS is intended to help address these challenges and ultimately increase the supply of affordable rental housing.

Discussion:

Eight recommendations were outlined in the January 18, 2021 report to Council. These recommendations are underway as per Table 1:

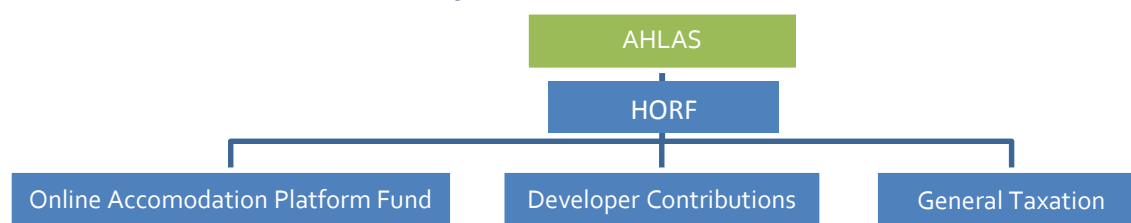
Table 1: Status of AHLAS Actions

	Recommendation	Description	Status
1.	Increase contributions from general taxation	See funding strategy section below	Ongoing
2.	Establish an internal City team to support land acquisitions for housing	Bring together representatives from City departments to identify and prioritize opportunities for land acquisition for emergency shelters, housing with supports and affordable rental housing	Complete
3.	Maximize affordability for households	Work to understand the needs of those responsible for building and operating affordable housing	Ongoing
4.	Engage with partners responsible for implementation	Consider the cost of housing and transportation together to ensure that housing is truly affordable	Ongoing
5.	Distribute and integrate affordable housing	Consider the distribution of affordable housing across Kelowna's Core Area and Urban Centres, while balancing the need for proximity to services and amenities	Ongoing
6.	Maximize outcomes from reserve funds	Maximize acquisition through creative site selection, lot assembly, leveraging other City needs, and using existing City-owned land	Ongoing
7.	Consider community engagement requirements	Ensure that information and education is provided to the community to foster positive relationships and promote acceptance for affordable housing projects	Ongoing
8.	Balance short-term and long-term results	Look to acquire both "shovel ready" land as well as smaller parcels for long term lot assembly	Ongoing

Funding Strategy

The AHLAS funding strategy is based on partnership across the housing sector. The AHLAS recognizes that the City cannot singlehandedly address the significant need for land for affordable housing. Instead, the AHLAS sets out a plan to address a portion of the need (approximately 10 per cent), while catalyzing our partners to play a greater role. That said, addressing even 10 per cent of the growing need for land for affordable housing in Kelowna would cost an estimated \$2.05M annually¹. The AHLAS is funded by the City's Housing Opportunities Reserve Fund (HORF), which currently has three recommended contribution streams shown in Figure 1.

Figure 1: AHLAS Contribution Streams



Based on the January 18, 2021 report to Council, the proposed recommended contributions to the HORF from each funding stream were approximately 20% from Online Accommodation Platforms (OAP), 50% from developer contributions, and 30% from general taxation. Of these funding sources,

¹ Based on providing 10% of land for housing for all new residents from 2021 – 2031 that would be spending more than 30% of their income on rental housing. Based on a 10-year average of \$111/ft² for land; costs assumed to increase by 6%/year.

taxation is the most stable form as OAP funding and developer contributions are subject to fluctuations. Each funding source is described in greater detail below.

OAP: Kelowna is a tourism destination and short-term rental accommodations impact the City's housing system. OAP taxation was permitted by the province and approved by Council to be used to address local housing needs in 2018; OAP contributions are a significant HORF funding source.

Developer Contributions: Currently, the City does not receive developer contributions towards the HORF; however, options are being explored through review of the Zoning Bylaw. In other communities, developers contribute to affordable housing through inclusionary zoning and/or density bonusing policies. Inclusionary zoning requires developers to contribute to affordable housing. Density bonusing provides developers with density in exchange for contributions to affordable housing. Without developer contributions, the AHLAS's impact will likely be limited.

General Taxation: The City currently contributes \$200,000 annually to the HORF from general taxation. The January 18, 2021 AHLAS report to Council identified the possibility of an increased contribution from \$200,000 to \$400,000 in 2022 and to \$600,000 annually in 2023 onwards. This strategy would provide sufficient funding to acquire land for at least one affordable housing project every four years. The funding recommendation to increase the general taxation was put forward to Council and approved, at a \$75,000 increase (Table 2).

Table 2: AHLAS Funding from Taxation

Existing Annual Contribution	2022 AHLAS Identified Budget	2022 AHLAS Identified Total Contribution	2022 Budget Approved	2022 Total Approved Contribution
\$200,000	Additional \$200,000	\$400,000	Additional \$75,000	\$275,000

At the end of 2021, the OAP fund total was \$537,182 with an additional \$250,265 in the HORF. This funding strategy has resulted in the purchase of one property for affordable housing, which is currently available for a project.

Over many years, the City has contributed significant parcels of land for affordable housing projects, developed in partnership with BC Housing. The value of these lands is in the many millions of dollars, which have been leased back to BC Housing for a nominal fee.

Conclusion:

There is an ongoing need to provide land for affordable rental housing projects, which the City has done historically, in support of the Province's mandate regarding this service. The AHLAS is a key initiative that will allow the City to address land acquisition and encourage investments from our partners. Current AHLAS funding levels will provide the opportunity to purchase land to support affordable rental housing projects, although potentially not on a 4-year acquisition cycle. If ALHAS funding was supplemented by revenue from new development, impact would increase significantly. Further funding requests may be brought forward for consideration in 2023. Staff are also in the process of investigating other funding mechanisms to support the AHLAS goals.

Internal Circulation:

Real Estate Services, Social Development, Finance

Considerations applicable to this report:

Existing Policy:

OCP Pillars. Promote more housing diversity, incorporate equity into city building.

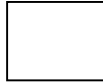
Objectives 4.12 and 5.11. Increase the diversity of housing types and tenures to create inclusive, affordable and complete Urban Centres and Core Area.

Policy 4.13.1. and 5.12.1 Housing with Supports. Prioritize the development of subsidized housing and housing with supports in the [Urban Centres](#) in addition to the [Core Area](#).

Objective 9.1. Incorporate equity into planning decisions and resource allocation in our community.

Submitted by:

A. Janousek, Planner



Approved for inclusion:
Manager

J. Moore, Long Range Policy Planning Range Policy Planning