

Report to Council



Date: May 27, 2024
To: Council
From: City Manager
Subject: Rental Housing Grants Program Enhancements – 2024/2025
Department: Planning, Climate Sustainability and Development Services

Recommendation:

THAT Council receives, for information, the report from Planning, Climate Sustainability and Development Services dated May 27, 2024, with respect to enhancements to the Rental Housing Grants Program;

AND THAT Council approve the temporary modifications to the 2024/2025 Rental Housing Grants Program as outlined in the Report from Planning, Climate Sustainability and Development Services dated May 27, 2024;

AND FURTHER THAT the temporary modifications to the 2024/2025 Rental Housing Grants Program be funded from the housing accelerator grant proceeds as required through amendments to the financial plan.

Purpose:

To approve changes to the Rental Housing Grants Program for 2024/2025.

Council Priority Alignment:

Affordable Housing

Background:

The Rental Housing Grants Program encourages the creation of non-market – also called ‘affordable’ or ‘subsidized’ - rental housing in the city by distributing grant funding up to \$300,000, as approved annually in the City budget, to eligible projects which submit an application. The grant is intended to offset the cost of developing non-market rental housing and is applied against the Development Cost Charge (DCC) fees for the project. Council Policy #335 – Rental Housing Grants Eligibility establishes the criteria for the Rental Housing Grants program. Key eligibility criteria include:

- Within the Core Area, Glenmore Village Centre, or University Village Centre
- Must be for non-market rental housing units;
- Maximum grant level of \$8,000 per 3-bedroom unit, \$4,000 per 2-bedroom unit, and \$2,000 per one-bedroom or bachelor unit. Micro-suites are not eligible;

- Must be constructed in the calendar year of approval, with an extension for up to a maximum of one additional year;
- Required to secure dwelling units through a housing agreement with the City, unless a long-term (15 years or greater) operating agreement is in place with BC Housing.

As part of Housing Accelerator Fund (HAF) grant program, the City is receiving up to \$31.5 million. The HAF projects consists of seven initiatives. The goal of Initiative #2 – Development Incentives is to encourage more private sector and below-market affordable housing development by offering financial and other incentives to developers.

Discussion:

As a temporary enhancement of the Rental Housing Grants Program, Staff are recommending the Rental Housing Grants Program be amended for 2024/2025. Proposed changes to the program include:

- Increasing the available pool of funding from \$300,000 to \$3,300,000 utilizing HAF funds;
- Funding to be divided equally among all successful applicants on a per-unit basis;
- Maximum possible grant funding increased to cover the entire DCC amount per project;
- Building Permit issuance required by December 31, 2025, with a one-time extension until May 31, 2026 available for projects that are reasonably expected to proceed to Building Permit by that date.

Apart from the modifications noted above, the Rental Housing Grants Eligibility Policy will continue to apply in all other respects.

The proposed one-time program enhancement is intended to address the HAF housing target for 416 affordable housing units to be issued Building Permits by October 2026. In addition, it aligns with the City’s Housing Needs Assessment (HNA) and Healthy Housing Strategy which identifies subsidized rental housing as a key element of the housing wheelhouse and encourages reducing the cost of affordable, purpose-built rental housing.

Given the proposed timeline to apply for funding, uptake for the enhanced program is expected to primarily consist of development applications that are currently in-stream to provide the necessary financial support to ensure that these developments are constructed. Staff have identified seven in-stream development applications that may be eligible for funding consisting of approximately 375+ subsidized rental or supportive housing units.

If supported by Council, staff would communicate the enhanced Rental Housing Grants Program to in-stream applicants with potentially eligible projects and other non-profit housing providers. Applications would be accepted in Summer 2024, and a Report to Council would be brought forward in Fall 2024 seeking Council’s approval of successful applicants. At the time of Building Permit issuance, the authorized funding will be applied as a deduction from total DCCs payable.

Conclusion:

The HNA identified a major shortage of subsidized rental housing in Kelowna, as the current level of development of subsidized rental housing is not adequate to meet existing or future demand. HAF funding is intended to encourage private sector housing development and incentivize the development of below-market rental housing units. Enhancing the Rental Housing Grants Program for 2024 supports non-profit housing providers in the creation of below-market housing, in alignment with the Housing Needs Assessment, Healthy Housing Strategy, and Council Priorities.

Internal Circulation:

Communications
Financial Services
Policy & Planning
Development Planning
Real Estate Services
Social Development

Considerations applicable to this report:

Existing Policy:

Council Policy #335 – Rental Housing Grants Eligibility

Financial/Budgetary Considerations:

The existing \$300,000 annual budget would be supplemented up to \$3,000,000 through budget allocations from HAF Funding over 2024-2025.

Communications Comments:

Updates will be made to the City's Developer Incentives webpage providing details of the enhanced program. Non-profit developers with in-stream applications and other non-profit housing providers that may be eligible will be contacted directly by staff.

Considerations not applicable to this report:

Consultation and Engagement:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Submitted by:

M. Tanner, Planner Specialist

Approved for inclusion: R. Smith, Divisional Director, Planning, Climate Action and Development Services