

Housing Update

November 2024

From the Divisional Director of Planning, Climate Action & Development Services

I'd like to share some exciting information about the work we are doing to address the housing challenges in our community. As you know, housing is one of the most pressing issues facing the City of Kelowna, and we have made it a priority to ensure that everyone has a safe, affordable, and suitable place to call home.

Since the release of the City's [2021-2031 Housing Needs Assessment](#), we have launched several housing initiatives that will help us achieve our vision of a diverse and inclusive housing system. These initiatives, in coordination with the City's successful application for the [Housing Accelerator Fund](#), include:

- Implementing additional options for [infill housing](#) in alignment with provincial changes, allowing up to six units on most properties throughout Kelowna's Core Area
- Launching the [Infill Fast Track program](#) to accelerate the permitting process for infill housing
- Exploring new ways to encourage housing supply through a review of our development incentives, including a \$3M investment in Development Cost Charge waivers for affordable housing projects
- Planning for higher density along select Transit Supportive Corridors, including along future prioritized transit along Kelowna's Richter corridor
- Investing in land and seeking partnerships to get additional affordable housing projects built in Kelowna, including programs such as the [Middle Income Housing Partnership](#) and [BC Builds](#)
- Investing in infrastructure to support housing such as water service upgrades and fire hydrants
- Updating data management through the creation of multiple dashboards and investing in new technologies to better monitor housing trends and improve processing
- Updating [short-term rental regulations](#) to better prioritize long-term rental housing
- Initiating a refreshed Urban Centres planning framework to support housing options in neighbourhoods with the access to transit and active transportation

These initiatives are the result of research, consultation, and collaboration with our partners and stakeholders, including other levels of governments, non-profit and private sector housing providers, community organizations, and residents. Currently, the City is developing a new Housing Action Plan which will set out our long-term goals to address the City's housing needs, in alignment with our Official Community Plan and other policy documents.

Together, we are creating a more livable city where everyone can find a home that meets their needs. I invite you to learn more about these initiatives at kelowna.ca/housing, and to share this information with your colleagues, friends, and family. I also encourage you to continue to engage with us and provide us with your ideas and suggestions on how we can improve our housing system.

I want to thank you for your valuable input and feedback, and for your dedication and commitment to making a difference in our City.

Sincerely,
Ryan Smith
Divisional Director, Planning, Climate Action & Development Services

Interim Housing Needs Report

Housing Needs Report Method Technical Memo

City of Kelowna | November 2024

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Introduction

This technical memorandum introduces the new legislatively mandated 'HNR Method' (referred to in legislation as the 'Applicable Method') to estimating current and future housing need in British Columbia. The first section describes a brief history of housing needs report requirements and estimating housing unit need in Kelowna, followed by the mandatory calculations results. The remaining sections explore a more complex analysis of the results to understand the estimated need by housing tenure and type, household income, household size, and bedroom count.

Housing Needs Report History and the Housing Needs Report Method

Initial Legislative Requirements (2019)

Since 2019, local governments in British Columbia have been legislatively required to undertake a housing needs assessment process every five years, with the first report due by 2022. While the requirements included stating an estimated number of additional housing units needed over the next five years to meet demand, there was no guidance or methodology for producing the estimate. As a result, most communities simply projected forward the last five years of household growth into the future, resulting in perpetuating any pre-existing undersupply or mismatch in the housing system. Similarly, there was no enforcement mechanism or requirement to implement policy to meet the likely underestimated housing need.

City of Kelowna's 2023 Housing Needs Assessment (HNA) aimed to address this typical shortcoming with a new methodology for estimating current unmet need and future demand by housing type and household income. The project won a 2024 Planning Institute of British Columbia Silver Award for Research & New Directions in Planning and may have supported or inspired the new mandatory methodology since introduced by the Province.

Legislative Amendments (2023)

In Fall 2023, shortly after the completion of the 2023 HNA, new legislation was introduced to significantly amend a broad range of planning and land use tools, regulations, and requirements for local governments. Key changes include a shift to more proactive planning, the requirement to estimate 5- and 20-year housing need with a specific HNR Method (HNRM), and implementation of sufficient residential capacity through Official Community Plan (OCP) amendments to accommodate the HNRM identified need. An interim housing needs report (IHNR) with the results of the HNRM calculation must be received by all local governments no later than January 1, 2025, with OCPs amended to accommodate the need no later than



December 31, 2025. The analysis, and associated OCP updates, must be completed every five years going forward. IHNRs have two additional components beyond the HNRM calculation (see [Appendix A](#) for all three required components).

With the release of the HNRM guidelines in June 2024, an IHNR can now be prepared. The six components of unmet need and demand applied by the HNR method directly parallel many of the need factors considered in the City of Kelowna's 2023 HNA. There are methodological or conceptual differences between the application of the different components,¹ but the overall results are similar: the HNR Method results in a total housing need near to mid-point of the range presented in the 2023 HNA.

This Interim Housing Needs Report serves to present the findings of the required HNRM analysis, alongside additional breakdowns of the results for a 10-year timeframe, by housing type and tenure, income group, household size, and bedroom count for 5- and 10-years.² The additional components are supplemental to the basic requirements and provide City of Kelowna with a more nuanced understanding of housing need.

HNR Method Legislatively Required Results

The legislatively required 5- and 20-year estimates are for 13,863 and 44,571 additional units respectively (see Table 1 for breakdowns by component). Revised OCPs must accommodate this amount of housing. Table 1 includes a supplemental 10-year estimate for 25,647 units.

The methodology includes six components³, each with a prescribed calculation method and data source. It should be noted the five-year result is not simply one quarter of the 20-year result.

1. For example, suppressed household formation is a component in both City of Kelowna's 2023 HNA and the new HNR Method calculation. However, the HNRM provides a much lower result than the 2023 HNA as it uses 2006 as the reference year to test the suppression against, while the 2023 HNA looked back further than 2006. The number calculated for the 2023 HNA is likely stronger, however, the Demand Buffer component of the HNRM fills the gap and covers a similar need concept. There is potentially meaningful variation when comparing similar components of the two approaches, but the overall final result is not significantly different.

2. The HNR Method only requires 5- and 20-year breakdowns of the calculations, however, most new housing units realized over the next five years will be from underway projects, and it may be challenging for local governments to meaningfully shape outcomes on this timescale. The 20-year timeframe has the opposite challenge with the timeline being so long, the context will likely change. Ten years is a middle point where the need estimated today may still be relatively accurate, with the ability for local governments to implement policy with the capacity to impact development outcomes. The 10-year calculation follows the same logic and approach as described for 5- and 20-years in the HNRM guidelines, however, this is not an officially mandated methodology and some discretion around how to distribute the different components over time was required.

3. Refer to the Ministry of Housing's 'Guidelines for Housing Needs Reports – HNR Method Technical Guidance' document for further detail on the specific components, what they represent, and why they were included in the methodology.



Table 1: 5-, 10-, and 20-Year HNR Method Housing Need Estimates, City of Kelowna

Component	Detail	5-year	10-Year	20-Year
A	Extreme Core Housing Need	797	1,595	3,190
B	Person Experiencing Homelessness	403	605	807
C	Suppressed Household Formation	275	549	1,099
D	Anticipated Household Growth	11,690	21,504	36,689
E	Rental Vacancy Rate Adjustment	142	284	569
F	Demand Factor	554	1,109	2,218
	Total	13,863	25,647	44,571

For Kelowna, the biggest driver of the difference over time is from BC Statistics' projection slowly shifting from higher growth rate in the first five-years (3.6% annual growth) to a lower growth rate by 2026 (2.5%) and through 2041 (1.7%). Similarly, with the urgency in addressing the needs of people experiencing homelessness (Component B), the HNRM intends for half of the need to be addressed in five years, while the 10-year number represents 75% of the 20-year need for persons experiencing homelessness.

Component D (Anticipated Household Growth) could be described as estimated future demand, while the other components are considerations of pre-existing unmet need regardless of future population growth. Most of the estimated need is from projected growth (84% of the need over 5-years and 82% of the need over 20-years).

Given most development seen over the next five years (2021-2026) will be projects already underway, it is unlikely the short-term estimate is achievable in most municipalities. However, as local policies and plans are amended to accommodate other legislative changes to support additional housing development and diversity, it may become more realistic to achieve these 5-year estimates over time; these changes establish a new framework for land use and housing regulation, and it may take time to be fully operational.

Values presented in Table 1 provide the minimum requirements of the HNRM calculation for IHNRs, however, more nuance could be provided to understand the type, size, and price-point required to meet the needs of local households. The remainder of this technical memo will explore additional complexity for the 5- and 10-year breakdowns of the HNRM calculation.

Distribution of HNR Method by Price-Point, Housing Type and Tenure, and Bedroom Count

While an estimate of the overall unit need for housing is important to understand, there are a wide range of housing needs requiring different solutions. More advanced analysis of the basic HNRM results can provide a more complete understanding of housing need in the community. A key aspect of distributing overall estimated housing need to housing type, tenure, or price-point is considering the amount household can afford paying for their housing.

Income Group Concept

The University of British Columbia's Housing Research Collaborative received funding through Canada Mortgage and Housing Corporation's (CMHC) Housing Supply Challenge to develop standardized, replicable, and equity-focused Housing Assessment Resource Tools (HART) to support better housing supply decision-making.⁴ The Housing Assessment Tool introduced an income group concept allowing for the distribution of future demand (household projections) and unmet need (core housing need) into five income groups. The key innovation of this work is the custom dataset allowing for crosstabulation of census data by these five income groups.

Kelowna was used as a pilot city when first developing this new concept, but staff felt there were additional concepts of unmet need to consider beyond core housing need. For the 2023 HNA, CitySpaces Consulting and rennie advisory services worked with staff to further develop the income group concept to incorporate additional conceptualizations of unmet need, which closely paralleled the concepts now introduced through the HNRM. This customized approach included applying a revised version of the custom dataset to allow for additional considerations and adaptability to local concerns or trends. A new version of this dataset has been procured to support more advanced analysis within the new HNRM framework, and previous approaches have now been adapted to build upon the individual HNRM components.

INCOME GROUPS

Table 2 provides a high-level description of the basis for the income groups by type of income, the resulting percentage of the area median (household) income they would earn, with the share of households falling into each group (national average distribution). With the groups defined by a percentage of the area median income each household earns, the exact income thresholds will vary by community, but the overall share of households falling into each group is generally consistent across all geographies.

4. UBC Housing Research Collaborative. HART Housing Need Assessment Tool Methodology Guide. 2024

Table 2: Income Groups by Income Type, Percent of Area Median Income, and National Average Distribution (%)

Income Group	Income Type or Source	Percent of AMI	2021 National Average Distribution
Very Low	Social Assistance	< 20%	3%
Low	Minimum Wage Worker	20% – 49%	18%
Moderate	Entry-Level Professional Job	50% – 79%	18%
Average	Middle Class	80% – 120%	21%
Above Average	High-Income	> 120%	40%

Table 3 provides the resulting income ranges, affordable monthly housing cost, and number and share of households in each income group for City of Kelowna based on the median household income of \$83,000 (2021).

Table 3: Income Range, Monthly Affordable Housing Cost, and Number of Households by Income Group, City of Kelowna

Income Group	Income Range	Maximum Monthly Housing Cost	Number of Households	Share of Households
Very Low	<\$15,000	<\$376	1,780	3%
Low	\$15,000 to \$39,999	\$376 to \$1,000	11,165	18%
Moderate	\$40,000 to \$64,999	\$1,001 to \$1,625	11,395	18%
Average	\$65,000 to \$99,999	\$1,626 to \$2,500	12,955	21%
Above Average	\$100,000+	\$2,500+	24,405	40%

Table 3 shows there is the same share of households in each income group in Kelowna compared to the national average (2021). Applying the income group distribution to the HNRM results will support allocating by affordable price-point, and therefore by tenure based on an affordability analysis of local housing.

Allocation of HNRM – Housing Type + Tenure Categories

To provide a deeper understanding of the high-level results, the HNRM calculation has been allocated to four different housing types or tenures to estimate the potential demand for housing:

- **Market rental** is rental housing with rents set by the market, and in this context could include both secured primary rental and secondary rental. The need would ideally be met with purpose-built secured market rental, which generally offers superior security of tenure. However, apartments or secondary suites rented by individual owners would also address the need. Based on analysis of local market rents, renter households who can spend between \$1,500 and \$3,125 per month are allocated to this category.
- **Non-market rental** is purpose-built subsidized rental housing with a range of below-market rents; this category could include a range of price-points above the housing component of social assistance. Based on analysis of market rents, it is assumed most renter households who can spend between \$500 and \$1,500 would likely need non-market rental.
- **Deep subsidy and supportive rental** represent two conceptual categories, including those on social assistance with rents affordable to those earning less than the “deep subsidy income limits” as defined by BC Housing programs. This category also includes supportive housing for people experiencing homelessness and those requiring on-going supports with their housing. Based on analysis of market rents and current non-market housing programs, renter households who can spend no more than \$500 per month are allocated to this category.
- **Ownership** describes housing owned and occupied by individual households; this category is broad, representing a range of households, and does not identify a specific structure type. Based on an affordability analysis of local ownership housing, it is assumed 12% of renter households could potentially purchase a condo at the benchmark price (those with household incomes of \$125,000+, who can spend more than \$3,125 per month on housing).

There is some discretion in this allocation and the assumptions to apply will change over time as the local dynamics of rental and ownership housing prices evolve. For example, if ownership prices decrease, a larger share of renter households could be assumed to successfully purchase in the future. Similarly, if market rents were reduced due to the rebalancing of vacancy rates, a smaller share of households could be allotted to non-market rental housing. As the HNRM analysis must be updated every five-years, there will be frequent opportunities to reconsider the allocation of current and future demand to different housing types or tenures.

Table 4 (on the following page) provides the resulting distribution of the four housing categories for 5- and 10-years, while the following sections further explain how the HNRM components have been allocated to the four housing type and tenure categories.



Table 4: 5-Year and 10-Year HNR Method Type and Tenure Allocation, City of Kelowna

TIMEFRAME		MARKET RENTAL	NON-MARKET RENTAL	DEEP SUBSIDY + SUPPORTIVE RENTAL	OWNERSHIP	TOTAL
5-Years	#	2,822	3,281	1,098	6,662	13,863
	%	20%	24%	8%	48%	100%
10-Years	#	5,265	6,146	1,917	12,318	25,647
	%	21%	24%	8%	48%	100%

Allocation of HNR Method – Distribution of Components

Table 5 broadly summarizes how the HNRM components have been allocated to the four housing type and tenure categories. The allocation of the HNRM components to housing type utilizes detailed income data to undertake an affordability analysis of market and non-market rental (based on current affordable housing programs), and ownership prices.

Table 5: HNR Method Component and Associated Housing Type + Tenure

Component	Detail	Type + Tenure Allocation
A	Extreme Core Housing Need	Rental Based on Income of Households in ECHN
B	Persons Experiencing Homelessness	Deep Subsidy + Supportive Rental
C	Suppressed Household Formation	Market Rental + Ownership ⁵
D	Anticipated Household Growth	Distribute by Income ⁶
E	Rental Vacancy Rate Adjustment	Market Rental
F	Demand Factor	Distribute by Income

5. Suppressed household formation units allotted to ownership proportionally by the share of renter households earning over \$125,000/year with the remainder assigned to market rental.

6. Estimated future renter households are assigned to market, non-market, and deep subsidy rental by income group compared against current market rents, and non-market programs.

For owners, the trend of new households (2006-2021) who rent or own has been considered, alongside current household and demographic modeling being undertaken by the City, and applied to the overall household projection. For Component D and F, 48% of new households are assigned to ownership, while 52% is assigned to the rental categories (for 2021-2031). It is assumed some new households will own in the future regardless of income to accommodate for inheritance, assistance from family members, existing equity, or other novel circumstances allowing for purchase without a high income.

The assumptions for how each HNRM component is distributed to housing type or tenure are described below.

Component A – Extreme Core Housing Need

It is assumed households in Extreme Core Housing Need (ECHN) will require non-market rental housing to meet needs for adequate and affordable housing. 23% of ECHN is allocated to **Deep Subsidy + Supportive Rental**, based on the share of renter households experiencing ECHN with incomes below \$20,000, while the remainder is allocated **Non-Market Rental** (77%). Of the households in ECHN those in the Very Low income group are allocated to **Deep Subsidy + Supportive Rental** and those in the Low and Moderate income group are allocated to **Non-Market Rental**.

Component B – Persons Experiencing Homelessness

It is assumed all persons experiencing homelessness require **Deep Subsidy + Supportive Rental**.

Component C – Suppressed Household Formation

It is assumed suppressed households will generally require **Market Rental**, except for the 12% of renter households earning over \$125,000/year, which are instead allocated to **Ownership**.

Component D – Anticipated Household Growth

Anticipated household growth has been allocated based on an affordability analysis of rental and ownership housing compared against renter and owner incomes.

- **Market Rental:** based on the share of renter households could spend between \$1,500 and \$3,125 per month, which is equivalent to households earning \$60,000 - \$124,999 (all the Average income group, 31% of the Moderate Income group, and 43% of the Above Average income group).
- **Non-Market Rental:** based on the share of renter households who can spend between \$500 and \$1,500 per month, or those earning \$20,000 - \$59,999 (69% of the Moderate income group, and 87% of the Low income group).
- **Deep Subsidy + Supportive Rental:** based on the share of renter households in who can spend no more than \$500 per month, or those earning less than \$20,000 (all of the very low-income group and 13% of the Low income group).
- **Ownership:** based on 48% of new households being owner-occupiers, in addition to the 12% of renter households earning over \$125,000/year.⁷

⁷ Based on the minimum income required (\$121,495) to qualify for the benchmark priced condo (\$505,600, Sept 2024) with a 20% down payment (\$101,120) at 4.74% for 25 years with a gross debt service ratio of 32% and \$425 of relevant housing costs per month for qualification at the stress test rate at 4.74%+2%.

Component E – Rental Vacancy Adjustment

It is assumed all rental vacancy adjustment is **Market Rental**, as this component seeks to achieve a 3% market rental vacancy rate.

Component F – Demand Factor

Component F seeks to describe the required buffer, or extra room in the housing system, to achieve a 'healthy' supply-demand balance. It is assumed this component will represent a range of housing types and is broadly allocated with the same method as Component D.

While the distribution of Component D and F are framed as shares of the five income groups, the affordability analysis to assign units to housing type is based on finer grain income ranges, as available in the census. This has resulted in some of the income groups being split into multiple categories as their ranges do not align with the current housing costs associated with the four housing categories. The next section explores the income group and household size distributions for owners and renters represented by Components D and F.



Income Group + Bedroom Count Allocation

This section explores the distribution of Components D and F by income group and household size, with a final breakdown by income group and number of bedrooms required to meet the National Occupancy Standards⁸. The allocations have been calculated for both 5- and 10-year breakdowns of HNRM results. The distribution of renter and owner households by income group was used to inform the allocation of the results by housing type and tenure. See [Appendix B](#) for a full set of the tables in this section and the 5-year distributions, alongside supplemental breakdowns with proportions (%) rather than unit counts.

10-YEAR ALLOCATION OF PROJECTED GROWTH + DEMAND BUFFER

Table 6 provides the distribution of all households by income group and household size (2021 Census) applied to Components D and F combined.

Table 6: Estimated 10-Year Future Demand by Income Group and Household Size, All Households, City of Kelowna⁹

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 to \$1,000	\$1,001 to \$1,625	\$1,626 to \$2,500	\$2,500+	TOTAL	%
1-person	597	3,397	1,945	1,054	549	7,542	33%
2-person	103	984	1,891	2,408	3,022	8,408	37%
3-person	38	200	409	759	1,585	2,991	13%
4+person	21	59	209	643	2,740	3,672	16%
TOTAL	759	4,640	4,454	4,864	7,896	22,613	100%
%	3%	18%	18%	21%	40%		

Table 7 provides the distribution of **owner households** by income group and household size (2021 Census) applied to Components D and F.

8. Bedroom count allocation is based on the Kelowna household composition distribution in the 2021 Census by income group. The distribution has been applied to the combined projected growth and demand buffer from the HNR Method calculation for all households, renters, and owners.

9. Future demand as presented includes Components D and F.

Table 7: Estimated 10-Year Future Demand by Income Group and Household Size, Owner Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	154	997	757	525	341	2,774	26%
2-person	30	333	795	1,126	2,093	4,377	40%
3-person	11	54	109	276	988	1,438	13%
4+person	5	19	66	238	1,938	2,266	21%
TOTAL	200	1,403	1,727	2,165	5,360	10,855	100%
%	2%	13%	16%	20%	49%		

Table 8 provides the distribution of **renter households** by income group and household size (2021 census) applied to Components D and F.

Table 8: Estimated 10-Year Future Demand by Income Group and Household Size, Renter Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	Above \$100,000		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	443	2,400	1,188	529	208	4,768	41%
2-person	73	651	1,096	1,282	929	4,031	34%
3-person	27	146	300	483	597	1,553	13%
4+person	16	40	143	405	802	1,406	12%
TOTAL	559	3,237	2,727	2,699	2,536	11,758	100%
%	5%	28%	23%	23%	22%		

This approach results in exact unit estimates to keep the final total aligned with the results of the HNRM calculation; however, the ultimate focus should be on the general distribution of units across the income groups rather than the precise number. See [Appendix B](#) for versions of the above tables for a five-year timeframe, and with the proportion of units (%) by household size and income group for reference.

For renters, there is a clear and direct relationship between household income and the housing cost they can afford. However, many owners can purchase despite incomes being too low to qualify at first glance. Many owners have existing equity in their homes to leverage, assistance from family, or inheritances, to support accessing ownership housing. As a result, there may be new owner households in the bottom four income groups who are able to purchase despite their incomes.

10-Year Bedroom Allocation

There is not a completely direct and consistent relationship between the number of people in a household and number of bedrooms required to meet their housing need due to variations in household composition. For example, a three-person household comprising one couple with one child requires two bedrooms to meet the National Occupancy Standards; however, a three-person household with three unrelated roommates would require three bedrooms. While larger households typically need more bedrooms, it is not always the case.

This distribution method is based on meeting the minimum basic needs of households, however, many households prefer having an extra bedroom for visitors, storage, office space, or other uses. When financially able, many households will seek out larger dwellings than required to meet their needs, but this analysis does not contemplate this factor (which largely comes down to personal choice and financial capacity rather than housing need).

Allocation by Income Group

This analysis has been undertaken on an income group basis, as shown in Table 9 and Table 10. Filtering the data by the additional income group variable may increase the impacts of low overall values, data suppression, and census rounding. As a result, the need for larger unit sizes is potentially underestimated, particularly for the income groups with fewer households overall.¹⁰ It may be helpful to understand the distribution of bedroom needs by income group and ability to afford housing rather than by household size alone.

10. Especially the very low income group, which is the smallest group overall; although, this group usually has smaller households, and the need for 3- and 4-bedroom units is higher than typically expected, so the impact of census rounding or suppression may be minimal.

Table 9: Estimated 10-Year Future Demand Minimum Bedrooms Required by Income Group, Units, City of Kelowna

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-bedroom	548	3,521	3,003	2,768	3,278	13,118
2-bedroom	67	417	794	1,138	2,768	5,184
3-bedroom	30	128	299	593	1,649	2,699
4+bedroom	9	25	80	249	1,249	1,612
TOTAL	654	4,091	4,176	4,748	8,944	22,613

Table 10 provides the percent allocation of unit sizes by income group, with the values representing the share of each income group estimated to need a dwelling with a given number of bedrooms.

Table 10: Estimated 10-Year Future Demand Minimum Bedrooms Required by Income Group Distribution, Share by Income Group, City of Kelowna¹¹

UNIT SIZE	INCOME GROUP				
	Very Low	Low	Moderate	Average	Above Average
1-bedroom	84%	86%	72%	58%	37%
2-bedroom	10%	10%	19%	24%	32%
3-bedroom	5%	3%	8%	15%	28%
4+bedroom	1%	0%	1%	2%	3%
TOTAL	100%	100%	100%	100%	100%

11. Describes the share of future demand by bedroom count and income group. For example, 84% Very Low income households are estimated to require at least a 1-bedroom unit, while 72% of Moderate income households are estimated to require a 1-bedroom unit and 19% require a 2-bedroom unit.

Interpreting These Results + Housing System Affordability

The housing estimates describe the potential demand for new housing units of various types, tenures, and price ranges to address estimated current and future housing needs.

Accurately estimating current and future housing need is complex, and addressing any estimated need can be even more challenging for local governments, which do not typically construct housing. Addressing the housing needs of the community relies on the construction of new housing by individual private and non-profit actors. Local governments can use regulations and incentives to encourage outcomes, but do not directly control what is developed. Meeting need also comes down to the choices households make about where to live, whether to move, how much space they want or can afford, and other factors.

All new households will not necessarily require a new dwelling to meet their needs because existing homes may become available when a current household moves into a new unit. This means the actual number of new units needed may vary from the assessed demand. An important consideration for addressing housing need is the impact of these moves, the resulting vacancies, and how it drives filtering of prices in the housing system. **Filtering describes the way units become available to lower income households as they age, allowing households to meet their needs by sorting themselves into housing they can afford.**

As a household's need or income changes, they may decide to move into a larger or more expensive dwelling, thereby freeing up their existing (and potentially more affordable) home for another household. These moves can trigger a chain of moves and available units, where each vacated unit allows another household to move into it. As households access bigger, newer, or otherwise more desirable dwellings over time, and as incomes increase, priorities change and/or families grow, these chains of moves can create room for lower income households in existing and relatively more affordable housing.

Where there is a sufficient supply of new housing to meet demand, older units should filter down in price. In contrast, if supply is insufficient, older units may filter up in price. **A key aspect of the current housing challenge is most dwellings have been filtering up in price, regardless of age or physical depreciation.** In some high-demand areas, the rent for older dwellings is similar to new dwellings, despite clear differences in quality, due to insufficient supply driving up prices of the entire housing system over time.



In a balanced market, older homes should become relatively more affordable. This means the needs of a low- or moderate-income household could be met by a new market-priced unit being created, not because they move into it, but due to an opening created within the existing housing stock. In this way, addressing all housing need or demand will not necessarily rely on the construction of new units for all households. **Protecting the existing stock of older, relatively more affordable housing is important as it allows for downward price filtering as new dwellings are added.**

All else being equal, adding a significant number of market-rate units can therefore have a positive impact for lower income households, as long as it is not replacing dwellings that could otherwise be affordable to those households. Although it may seem counterintuitive, **new market-rate homes can enhance overall affordability by absorbing the higher-income households who can afford them.** Without other options, these households would bid up the price of existing lower cost housing. **Nonetheless, it is unlikely the needs of very low- and low-income households can be effectively met by the market.** Non-market housing options will also be needed, especially for the foreseeable future while existing supply imbalances are being addressed; any efforts to support lower prices in new housing construction will be vital to meeting the needs of these households.

These dynamics are more complicated when considering ownership housing. While the same patterns generally apply, where households will sort themselves into housing based on their needs and means, there can be extra costs and effort involved in changing dwellings for owners. Additionally, while owner households can be distributed into the five income groups, as seen in Table 7, **more than 50% of new owner households projected over the next 10-years likely could not purchase a dwelling today based on incomes alone.** Many owners have existing equity they can use when purchasing a new home or, in the case of first-time buyers, they often receive support from parents or use an inheritance. Senior owners may have a significantly reduced income from when they first purchased.

Most newly built ownership housing will be at the upper end of the price spectrum, but when an existing owner moves into a new dwelling, the previous unit becomes available, likely at a lower price-point than a new dwelling. Ownership housing will still filter down in price as supply increases relative to demand, but it is difficult to understand or predict exactly how households are purchasing, or what they will be able to purchase, compared to renter households where the relationship between incomes and the cost of affordable housing is clearer.

Key Takeaways

- The housing type demand estimates are based on a set of current assumptions, which may vary over time or by data source.
- The housing demand estimates represent how current unmet and projected future need could be accommodated through **new dwellings**. However, not all households will need new dwellings to meet their needs because vacancy may be created when an existing household moves into a new dwelling.
- In general, all net additional housing improves the affordability of the housing system at a high level. In existing urban areas, the greatest impact will be when low-density, relatively expensive housing is replaced by higher density, relatively more affordable housing. Some households will need non-market options to afford their housing, and supporting its development will have the highest impact on affordability.
- If the estimated demand for market rental or ownership housing has been met, it does not mean the local government should stop allowing more to be built. If higher cost housing is not added, higher income households will simply pay more for existing lower cost homes, thereby bidding-up the price until lower income households have been priced-out. Historical lack of market supply to absorb high-income households is a key driver of current housing prices.
- Policies or incentives to shift development to non-market options would be positive and necessary to meet the needs of some households. Protecting the existing, relatively more affordable housing is also key, this may often be older market rental and other multi-unit housing forms.
- **Regular five-year updates to the estimates will help determine how effectively recent development has addressed the identified needs within the complexity of household choice, the diversity of ways first time buyers purchase, and how filtering can address the needs of some lower income households without building a new dwelling for them.**



Conclusion

This Interim Housing Needs Report and technical memo provides the legislatively required content for an Interim Housing Needs Report with additional supplemental analysis. [Appendix A](#) includes all Interim Report requirements as per Part 14 of the *Local Government Act*:

1. “The number of housing units needed currently and over the next 5- and 20-years, calculated using the HNR Method provided in the Regulation;
2. A statement about the need for housing in close proximity to transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation; and
3. A description of the actions taken by the local government, since receiving the most recent housing needs report, to reduce housing needs.”¹²

The supplemental analysis in this memo provides a finer grain understanding of the total number of estimated units required to meet local need as per the HNR Method and will support crafting effective housing policies and land use regulations in City of Kelowna, particularly for required updates to the Official Community Plan by the end of 2025.

12. Requirements as described in the Ministry of Housing's Guide to Requirements for Housing Needs Reports (June 2024).



APPENDIX A

Interim Housing Needs Report Legislative Requirements

Interim Housing Needs Report Legislative Requirements

Table 1 provides the required results of the HNR Method calculation as per the Ministry of Housing's **Guidelines for Housing Needs Reports – HNR Method Technical Guidance** to estimate housing need for 5- and 20-years.

Table 1: 5- and 20-Year HNR Method Housing Need Estimates, City of Kelowna

Component	Detail	5-year	20-year
A	Extreme Core Housing Need	797	3,190
B	Person Experiencing Homelessness	403	807
C	Suppressed Household Formation	275	1,099
D	Anticipated Household Growth	11,690	36,689
E	Rental Vacancy Rate Adjustment	142	569
F	Demand Factor	554	2,218
	Total	13,863	44,571

STATEMENT ON HOUSING NEED IN PROXIMITY TO ALTERNATIVE TRANSPORTATION INFRASTRUCTURE

The City of Kelowna's Growth Strategy generally supports building housing in central areas of the city that are in close proximity to transportation infrastructure that supports walking, bicycling, public transit or other alternative forms of transportation. This is exemplified by several of the pillars of Kelowna's 2040 Official Community Plan (OCP) including: *prioritize sustainable transportation & shared mobility, focus investment in urban centres, target growth along transit corridors, and stop planning new suburban neighbourhoods.*

The OCP specifically focuses growth in the five Urban Centres and along major transit corridors that connect them with a goal of putting more people and more jobs within easy walking distance of reliable, direct transit service. As an initiative under the Housing Accelerator Fund, the city of Kelowna is currently exploring pre-zoning properties along select Transit Supportive Corridors to facilitate housing in a more consistent and expedited manner.



DESCRIPTION OF ACTIONS TAKEN BY LOCAL GOVERNMENT TO REDUCE HOUSING NEED

The City of Kelowna is committed to taking action on housing. Since 2023, the City has undertaken several initiatives to reduce housing needs including:

- Being the first municipality in the province to change regulations in response to recent legislative changes (Bills 44 & 47).
- Successfully applying for funding under the federal Housing Accelerator Fund
- Launching the Infill Fast Track Program, which significantly shortens the approval process and time on new infill projects.
- Expanding the City's Rental Housing Grant Program which has helped incentivize the development of 314 new affordable housing units in Kelowna.
- Acquiring land through a new Middle Income Housing Partnerships Program for future affordable housing projects.
- Advancing our work in AI Digital permitting to make it easier and faster for building permits to be approved.
- Working to develop a new Housing Action Plan.





A P P E N D I X B

HNR Method Results + Supplemental Tables

5-YEAR ALLOCATION OF PROJECTED GROWTH + DEMAND BUFFER

All Households

Table 11: Estimated 5-Year Future Demand by Income Group and Household Size, All Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	276	1,609	988	577	325	3,775	31%
2-person	49	482	982	1,293	1,869	4,675	38%
3-person	17	92	191	378	942	1,620	13%
4+person	13	33	100	322	1,707	2,175	18%
TOTAL	355	2,216	2,261	2,570	4,843	12,245	100%
%	3%	18%	18%	21%	40%		

Table 12: Estimated 5-Year Future Demand by Income Group and Household Size, All Households, Percent Allocation, City of Kelowna

HOUSEHOLD SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-person	2.6%	15.0%	8.6%	4.7%	2.4%	33.3%
2-person	0.4%	4.3%	8.4%	10.6%	13.4%	37.1%
3-person	0.2%	0.9%	1.8%	3.4%	7.0%	13.3%
4+person	0.1%	0.3%	0.9%	2.9%	12.1%	16.3%



Owner Households

Table 13: Estimated 5-Year Future Demand by Income Group and Household Size, Owner Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	83	540	410	284	185	1,502	26%
2-person	16	180	431	610	1,133	2,370	40%
3-person	6	29	59	149	536	779	13%
4+person	3	10	35	129	1,050	1,227	21%
TOTAL	108	759	935	1,172	2,904	5,878	100%
%	2%	13%	16%	20%	49%		

Table 14: Estimated 5-Year Future Demand by Income Group and Household Size, Owner Households, Percent Allocation, City of Kelowna

HOUSEHOLD SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-person	1.4%	9.2%	7.0%	4.8%	3.1%	25.5%
2-person	0.3%	3.1%	7.3%	10.4%	19.3%	40.4%
3-person	0.1%	0.5%	1.0%	2.5%	9.1%	13.2%
4+person	0.1%	0.2%	0.6%	2.2%	17.9%	21.0%



Renter Households

Table 15: Estimated 5-Year Future Demand by Income Group and Household Size, Renter Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	240	1,300	643	287	113	2,583	41%
2-person	39	352	593	694	503	2,181	34%
3-person	15	79	162	262	323	841	13%
4+person	9	22	77	220	434	762	12%
TOTAL	303	1,753	1,475	1,463	1,373	6,367	100%
%	5%	28%	23%	23%	22%		

Table 16: Estimated 5-Year Future Demand by Income Group and Household Size, Renter Households, Percent Allocation, City of Kelowna

HOUSEHOLD SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-person	3.8%	20.4%	10.1%	4.5%	1.8%	40.6%
2-person	0.6%	5.5%	9.3%	10.9%	7.9%	34.2%
3-person	0.2%	1.2%	2.5%	4.1%	5.1%	13.1%
4+person	0.1%	0.3%	1.2%	3.5%	6.8%	11.9%



Bedroom Allocation by Income Group

Table 17: Estimated 5-Year Future Demand Minimum Bedrooms Required by Income Group, Units, City of Kelowna

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-bedroom	296	1,906	1,625	1,499	1,775	7,101
2-bedroom	37	226	430	617	1,499	2,809
3-bedroom	17	70	162	321	893	1,463
4+bedroom	5	14	43	134	676	872
TOTAL	355	2,216	2,260	2,571	4,843	12,245

Table 18: Estimated 5-Year Future Demand Minimum Bedrooms Required by Income Group Distribution, Share of All Units, City of Kelowna

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-bedroom	2.4%	15.6%	13.3%	12.2%	14.5%	58.0%
2-bedroom	0.3%	1.8%	3.5%	5.0%	12.2%	22.9%
3-bedroom	0.1%	0.6%	1.3%	2.6%	7.3%	11.9%
4+bedroom	0.0%	0.1%	0.4%	1.1%	5.5%	7.1%
TOTAL	3%	18%	18%	21%	40%	

Table 19: Estimated 5-Year Future Demand Minimum Bedrooms Required by Income Group Distribution, Share by Income Group, City of Kelowna

UNIT SIZE	INCOME GROUP				
	Very Low	Low	Moderate	Average	Above Average
1-bedroom	83.7%	86.0%	71.9%	58.3%	36.6%
2-bedroom	10.3%	10.2%	19.0%	24.0%	31.0%
3-bedroom	4.7%	3.1%	7.2%	12.5%	18.4%
4+bedroom	1.4%	0.6%	1.9%	5.2%	14.0%
TOTAL	100%	100%	100%	100%	100%

10-YEAR ALLOCATION OF PROJECTED GROWTH + DEMAND BUFFER

All Households

Table 20: Estimated 10-Year Future Demand by Income Group and Household Size, All Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	597	3,397	1,945	1,054	549	7,542	33%
2-person	103	984	1,891	2,408	3,022	8,408	37%
3-person	38	200	409	759	1,585	2,991	13%
4+person	21	59	209	643	2,740	3,672	16%
TOTAL	759	4,640	4,454	4,864	7,896	22,613	100%
%	3%	21%	20%	22%	35%		

Table 21: Estimated 10-Year Future Demand by Income Group and Household Size, All Households, Percent Allocation, City of Kelowna

HOUSEHOLD SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-person	2.6%	15.0%	8.6%	4.7%	2.4%	33.3%
2-person	0.5%	4.4%	8.4%	10.6%	13.4%	37.3%
3-person	0.2%	0.9%	1.8%	3.4%	7.0%	13.3%
4+person	0.1%	0.3%	0.9%	2.8%	12.1%	16.2%

Owner Households

Table 22: Estimated 10-Year Future Demand by Income Group and Household Size, Owner Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	154	997	757	525	341	2,774	26%
2-person	30	333	795	1,126	2,093	4,377	40%
3-person	11	54	109	276	988	1,438	13%
4+person	5	19	66	238	1,938	2,266	21%
TOTAL	200	1,403	1,727	2,165	5,360	10,855	100%
%	2%	13%	16%	20%	49%		

Table 23: Estimated 10-Year Future Demand by Income Group and Household Size, Owner Households, Percent Allocation, City of Kelowna

HOUSEHOLD SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-person	1.4%	9.2%	7.0%	4.8%	3.1%	25.5%
2-person	0.3%	3.1%	7.3%	10.4%	19.3%	40.4%
3-person	0.1%	0.5%	1.0%	2.5%	9.1%	13.2%
4+person	0.1%	0.2%	0.6%	2.2%	17.9%	21.0%



Renter Households

Table 24: Estimated 10-Year Future Demand by Income Group and Household Size, Renter Households, City of Kelowna

Income Group	Very Low	Low	Moderate	Average	Above Average		
% AMI	<20%	20 – 49%	50 – 79%	70 – 119%	>120%		
Household Income	<\$15,000	\$15,000 – \$39,999	\$40,000 – \$64,999	\$65,000 – \$99,999	\$100,000+		
Monthly Affordable Housing Cost	<\$376	\$376 – \$1,000	\$1,001 – \$1,625	\$1,626 – \$2,500	\$2,500+	TOTAL	%
1-person	443	2,400	1,188	529	208	4,768	41%
2-person	73	651	1,096	1,282	929	4,031	34%
3-person	27	146	300	483	597	1,553	13%
4+person	16	40	143	405	802	1,406	12%
TOTAL	559	3,237	2,727	2,699	2,536	11,758	100%
%	5%	28%	23%	23%	22%		

Table 25: Estimated 10-Year Future Demand by Income Group and Household Size, Renter Households, Percent Allocation, City of Kelowna

HOUSEHOLD SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Very Low	Average	Very Low	
1-person	3.8%	20.4%	10.1%	4.5%	1.8%	40.6%
2-person	0.6%	5.5%	9.3%	10.9%	7.9%	34.2%
3-person	0.2%	1.2%	2.6%	4.1%	5.1%	13.2%
4+person	0.1%	0.3%	1.2%	3.4%	6.8%	11.8%



Bedroom Allocation by Income Group

Table 26: Estimated 10-Year Future Demand Minimum Bedrooms Required by Income Group, Units, City of Kelowna

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-bedroom	548	3,521	3,003	2,768	3,278	13,118
2-bedroom	67	417	794	1,138	2,768	5,184
3-bedroom	30	128	299	593	1,649	2,699
4+bedroom	9	25	80	249	1,249	1,612
TOTAL	654	4,091	4,176	4,748	8,944	22,613

Table 27: Estimated 10-Year Future Demand Minimum Bedrooms Required by Income Group Distribution, Share of All Units, City of Kelowna

UNIT SIZE	INCOME GROUP					TOTAL
	Very Low	Low	Moderate	Average	Above Average	
1-bedroom	2.4%	15.6%	13.3%	12.2%	14.5%	58.0%
2-bedroom	0.3%	1.8%	3.5%	5.0%	12.2%	22.9%
3-bedroom	0.1%	0.6%	1.3%	2.6%	7.3%	11.9%
4+bedroom	0.0%	0.1%	0.4%	1.1%	5.5%	7.1%
TOTAL	3%	18%	18%	21%	40%	

Table 28: Estimated 10-Year Future Demand Minimum Bedrooms Required by Income Group Distribution, Share by Income Group, City of Kelowna

UNIT SIZE	INCOME GROUP				
	Very Low	Low	Moderate	Average	Above Average
1-bedroom	83.9%	86.1%	71.9%	58.3%	36.7%
2-bedroom	10.2%	10.2%	19.0%	24.0%	31.0%
3-bedroom	4.6%	3.1%	7.2%	12.5%	18.4%
4+bedroom	1.3%	0.6%	1.9%	5.2%	14.0%
TOTAL	100%	100%	100%	100%	100%