

Report to Council



Date: November 16, 2015
File: 0710-40
To: City Manager
From: Ross Soward, Planner Specialist
Subject: Rental Housing Grant Recommendation for 2016

Recommendation:

THAT Council receives the report from the Planner Specialist, dated November 16, 2015 regarding the rental housing grant recommendation for 2016;

AND THAT Council approves the 2016 Rental Housing Grants as identified in the report from the Planner Specialist, dated November 16, 2015, in accordance with the Housing Opportunities Reserve Fund Bylaw No. 8593 and Council Policy No. 335.

Purpose:

To consider the proposed Rental Housing Grants for 2016.

Background:

Canada Mortgage and Housing Corporation (CMHC), identifies Kelowna as having one of the lowest apartment vacancy rates in Canada, reporting a 1.5% vacancy rate as of October 2015.¹ The 2015 Kelowna market outlook shows a slight increase in apartment vacancies, but Kelowna's rental housing market remains highly competitive. In response, there is a growing number of multi-family and urban projects that are being developed in Kelowna based on year-to-date applications. Also, the 2015 rental housing grant intake will be the first year since the development of the 2012 *Housing Strategy* where the goal of 300 rental units is achieved.²

Despite the recent and positive response, the 2014 *Annual Housing Report* shows that only 489 purpose-built rental units were developed from 2010-2014, demonstrating the continued importance of encouraging the development of purpose-built rental apartments to increase the supply of rental units and to enhance housing affordability.³ The *Rental Housing Grants*

¹ CMHC, Housing Market Outlook – Kelowna CMA (Fall 2015).

² City of Kelowna, 2012 Kelowna Housing Strategy, p. 6

³ City of Kelowna, 2014 Annual Housing Report, p. 5

program was expanded by Council in 2012 to provide incentives for non-profits or private developers looking to build purpose-built rental housing.

Applications for 2016 grants were required by the end of September 2015 in accordance with Council Policy No. 335. The properties being recommended for rental housing grants in 2016, are as follows:

1. \$75,866 for 78 units at 2065 Benvoulin Rd
2. \$8,753 for 9 units at 310 Homer Rd
3. \$75,866 for 78 units at 1170 Highway 33
4. \$22,370 for 23 units at Highway 33 & Dundas
5. \$53,495 for 55 units Academy Way
6. \$49,543 for 86 units at 1745 Chapman P⁴

The rental housing grants have been established to help offset the cost of DCCs. Based on the rental applications received and the Development Cost Charge (DCC) estimates, the amount the City could authorize for rental housing grants would be \$3,378,745, which is the total estimated cost of DCC's. However, the 2016 budget (subject to final Council approval) provides for \$320,000 in total. On the basis of the projected 2016 budget the recommended grants are summarized in the table outlined below.

Project	Dwelling Units Supported	Recommended Grants	Estimated DCC	Type of Units
2065 Benvoulin Rd	78	\$75,866	\$1,021,176	Non-profit subsidized purpose built rental
310 Homer Rd	9	\$8,753	\$105,379	Purpose-built rental
1170 Highway 33	78	\$75,866	\$703,178	Non-profit subsidized purpose built rental
Highway 33 & Dundas	23	\$22,370	\$268,734	Purpose-built rental
Academy Way	55	\$53,495	\$268,734	Purpose-built rental
1745 Chapman Pl.	86	\$49,543 (capped)	\$1,011,543	Non-profit subsidized purpose built rental
Totals	329	\$285,895	\$3,378,745	

Grant recipients will be notified by letter of the amount of the grant and advised that they need to include a copy of the letter with their building permit application in order to receive DCC credit. Prior to receiving a grant, applicants must enter into a housing agreement with the City for a minimum of ten years. After ten years a request can be made to release the notice of the housing agreement. Discharging a housing agreement early requires Council approval and a subsequent repayment of the grant funding to the City. Requesting an early release of a housing agreement is not likely for provincially subsidized non-profit rental housing. However, requests for early release to facilitate stratification of purpose-built rental buildings can be expected. Letters outlining this process are sent to grant recipients and the letters specify that repayment of the grant is required if the housing agreement is lifted. This process will also be reaffirmed in the housing agreement.

⁴ 1745 Chapman Pl received land for the cost of \$1 from the City of Kelowna. For this reason, the maximum amount payable to the project is capped at \$49,543 (total DCC's less market value of land), as per *Rental Housing Grants Policy No. 335, s. 9*.

In addition to rental housing grants, purpose-built rental housing projects may also make application for property tax exemption. The property tax exemption applies to the municipal share of property taxes on new purpose built rental buildings for a maximum of 10 years, and does not have to be repaid. Applications must be consistent with the OCP and supported by the City in order to be eligible. When the vacancy rate is 3% or less, purpose built rental buildings supported by Council are eligible to apply.

Internal Circulation:

Divisional Director, Community Planning and Real Estate
Manager, Long Range Policy and Planning
Manager, Urban Planning
Department Manager, Community Planning
Director, Financial Services

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

Financial/Budgetary Considerations:

Budgeted funds (subject to final approval) allow for a contribution \$972 per dwelling unit to support the construction of 329 new rental dwellings. \$34,104 will return to the HORF due to the fact 1745 Chapman received a land gift from the City and is only eligible for \$49,543.

Available funds are as follows:

<u>Housing Opportunities Reserve Fund (HORF) - annual budget allocation:</u>	\$200,000
<u>Annual Budget Allocation to Rental Grants to provide partial relief from DCCs</u>	<u>\$120,000</u>
Total Funds Available	\$320,000

Considerations not applicable to this report:

Alternate Recommendation:

Communications Comments:

External Agency/Public Comments:

Personnel Implications:

Submitted by:

Ross Soward, Planner Specialist

Approved for inclusion:



Danielle Noble-Brandt, Department Manager Policy &

Planning

cc:

Divisional Director, Community Planning and Real Estate
Manager, Long Range Policy and Planning
Manager, Urban Planning
Department Manager, Community Planning
Director, Financial Services