

Report to Council



Date: January 23, 2017
File: 0710-40
To: City Manager
From: Ross Soward, Planner Specialist
Subject: Rental Housing Grant Recommendation for 2017

Recommendation:

THAT Council receives the report from the Planner Specialist, dated January 23, 2017 regarding the rental housing grant recommendations for 2017;

AND THAT Council approves the 2017 Rental Housing Grants as identified in the report from the Planner Specialist, dated January 23, 2017, in accordance with the Housing Opportunities Reserve Fund Bylaw No. 8593.

Purpose:

To consider approval of 11 purpose-built rental housing projects for rental housing grants in 2017, subject to final budget approval.

Background:

Canada Mortgage and Housing Corporation (CMHC), identifies Kelowna as having one of the lowest apartment vacancy rates for Census Metropolitan Areas (CMAs) in Canada, reporting a 0.6 per cent vacancy rate as of October 2016 with a vacancy rate of 0 per cent for three bedroom units. The high rate of population growth in the CMA area has put additional pressure on an already limited rental housing supply. The combination of these two factors has contributed to Kelowna becoming one of the most competitive rental housing markets in Canada with CMHC forecasting only a minor increase to the vacancy rate in 2017.

The *City of Kelowna Housing Strategy* identifies the goal of developing 300 purpose-built rental units each year to address future rental housing needs. However, from 2010 to 2016 only 1,000 purpose-built rental units were developed with 2016 being the first year 300 units were issued building permits. The lack of rental housing constructed over the last six years has resulted in a deficit of roughly 1,100 rental housing units based on the targets from *the Kelowna Housing Strategy*. Purpose-built rental apartments

are important part of a healthy housing market, ensuring housing options exist for people in transitional periods and those who are not able to own their own home.

Given the significant need for rental housing in Kelowna, several modifications were made to the rental housing program in 2016. In past years, grant amounts were based on the number of units associated with each project with no regard for the size of the unit. Staff adjusted the funding distribution in 2016, introducing tiered funding maximums for one, two and three bedroom units. The increase in the maximum funding for three bedroom units reflects the higher costs associated with building larger units in an effort to encourage the development of more family-friendly units. The overall amount of funding available for rental housing grants was also increased from \$320,000 to \$420,000 for the 2017 and 2018 grant funding cycles. The increase was intended to support the housing sector in its efforts to address the low vacancy rates and take advantage of the strong population growth and low interest rates.

The 2017 intake of applications is the highest on record and demonstrates the significant response from the housing sector to address the rental housing demand in the community. The high number of rental housing units will go a long way to addressing the need for rental housing that stems from the limited amount of rental housing development from 2010-2015.

The report outlines the properties being recommended to receive rental housing grants for 2017, as follows.

1. \$119,628 for 280 units at 1469 KLO Road
2. \$66,565 for 166 units at 720 Valley Road
3. \$53,063 for 164 units at 726/816 Clement Avenue
4. \$55,195 for 111 units at 1975 Kane Road
5. \$45,956 for 108 units at 755 Academy Way
6. \$27,479 for 69 units at 1920 Enterprise Way
7. \$20,135 for 65 units at 1149 Sutherland Road
8. \$14,450 for 47 units at 2075 Benvoulin Court
9. \$10,186 for 43 units at 1545 Bedford Avenue
10. \$3,553 for 9 units at 205 Highway 33 East
11. \$3,790 for 8 units at 681 Glenwood Avenue

The rental housing grants have been established to help offset the cost of DCCs. Based on the rental building applications received and the DCC estimates, the amount the City could authorize for rental housing grants, if the program was not financially capped, would be \$15,302,438 which is the total estimated cost of DCC's. The precise DCC cost for each project will be established at the time of building permit. On the basis of the projected 2017 budget (subject to final Council approval), the recommended grants are summarized in the table outlined below.

Project	Units Supported	Recommended Grants	Estimated DCC*	Type of Units
1469 KLO Road	280	\$119,628	\$4,026,594	purpose-built rental
720 Valley Road	166	\$66,565	\$2,399,705	purpose-built rental
726 Clement Avenue	164	\$53,063	\$2,429,332	purpose-built rental
1975 Kane Road	111	\$55,195	\$1,691,015	purpose-built rental
755 Academy Way	108	\$45,956	\$ 1,617,866	purpose-built rental
1920 Enterprise Way	69	\$27,479	\$946,042	purpose-built rental
1149 Sutherland Road	65	\$20,135	\$760,124	affordable rental
2075 Benvoulin Court	47	\$14,450	\$696,211	affordable rental
1545 Bedford Avenue	43	\$10,186	\$515,091	purpose-built rental
205 Highway 33 East	9	\$3,553	\$ 135,220	purpose-built rental
681 Glenwood Avenue	8	\$3,790	\$85,238	purpose-built rental
Totals	1070 ¹	\$420,000	\$15,302,438	

*DCC estimates are only preliminary, final DCC amounts will be determined at the time of building permit.

As a result of the changes that were made to the Rental Housing Grants program in 2016, the deadline for 2017 applications was shifted from the end of September to the end of November. This change provided additional time for applicants to prepare submissions. In order for applicants to be eligible for the grants, a housing agreement must be signed 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 housing agreements requires Council approval and a subsequent repayment of the grant funding to the City for the Housing Opportunities Reserve Fund (s. 4.4 and 4.5 of the Housing Opportunities Reserve Fund By-law 8593).

Requesting a release of the housing agreement is not likely for provincially subsidized non-profit rental housing. Requests for stratification of purpose-built rental buildings can be expected and would be considered if the vacancy rate for rental housing were above three per cent. 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.

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 a DCC credit, on the DCC's payable at building permit stage, equal to the amount of the grant.

In addition to rental housing grants, application can also be made for property tax exemption. The exemption is on the municipal portion of property taxes on new the improvements associated with

¹ In addition to the 1,070 rental units that are eligible for a DCC credit through the Rental Housing Grants Program there are an additional 41 micro-suites that are not eligible for rental housing grants. For this reason, 41 units are not included in the unit totals provided in this report.

purpose-built rental buildings for a maximum of 10 years. 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. Staff anticipate the majority of the grant applicants will also be applying for the rental housing tax exemptions.

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
Communications Advisor, Community Engagement

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 to support 1070 rental units at a rate of \$237 per 1-bedroom unit, \$474 per 2-bedroom unit and \$948 per 3-bedrooms.

Available funds are as follows:

<u>Housing Opportunities Reserve Fund (HORF) – annual budget allocation:</u>	\$300,000
<u>Annual Budget Allocation to Rental Grants to provide partial relief from DCCs</u>	\$120,000
Total Funds Available	\$420,000

Submitted by:

Ross Soward, Planner Specialist



Approved for inclusion:

J. Moore, Acting 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

Communications Advisor, Community Engagement