
City of Kelowna

MEMORANDUM

DATE: August 7, 2002
FILE: 5040-20

TO: City Manager

FROM: Community Planning Manager

RE: Flex Housing Proposal for 2490 Richter

REPORT PREPARED BY: Theresa Eichler

RECOMMENDATION

THAT Council authorize staff to re-initiate a housing project at 2490 Richter St. to accomplish the following:

- Issue a proposal call for a builder to build flex housing on the properties at 2490 Richter; as follows:
 - South corner lot to feature a semi-detached or duplex building that exhibits flex housing features;
 - North lot to feature a single detached home with a secondary suite, also demonstrating flex housing elements;
- Demonstrate flex housing features including:
 - affordability,
 - adaptability for the changing needs of a household over time;
 - healthy housing, in particular, energy conservation; CPTED design features; low water use, through xeriscape landscaping;
 - accessibility for future and present safety and maximum potential to accommodate handicapped features
 - proponent to exhibit the house during the demonstration period;
 - RU6 zone regulations apply.
 - Demonstration period will be held for a period of up to six months, during which time the builder will assist in educating and exhibiting key features of the housing;

- At the end of the demonstration period the property will be sold, with the following conditions:
 - A housing agreement to be registered against each lot to ensure that at least one of the units is affordable, either as a rental or ownership unit, in accordance with Section 8.1.16 of the OCP;
 - Costs to be recovered by the builder;
 - Any additional revenues to be divided between the City and the builder as agreed;
 - Revenue to the City to be placed in the Housing Opportunities Reserve Fund to contribute towards future affordable housing projects.

THAT Council agrees the City will be responsible for:

- Application costs to subdivide and re-zone the property to RU6 from P4;
- Waiving development cost charges, on the basis of the property featuring existing lots;
- Retaining ownership of the property until the end of the demonstration period.

PURPOSE

To re-formulate the details of a City-initiated housing project at 2490 Richter St. so as to achieve affordable housing as part of the project and add the concept of a demonstration project featuring flex housing, in partnership with a builder and CMHC.

BACKGROUND

On August 28, 2000, Council passed the following resolution:

R707/00/08/28 THAT Council undertake approval procedures for the draft Housing Opportunities Reserve Fund Bylaw attached to the Planning Department's report of August 24, 2000;

AND THAT funds to assist affordable or special needs housing projects, other than by the provision of land under the requirements of the proposed Housing Opportunities Reserve Fund Bylaw, be made available under the Community Social Development Grant program;

AND THAT the City initiate a Request for Proposals (RFP) for property located at the northwest corner of Morrison Avenue and Richter Street, known as 2490 Richter Street, with the following conditions:

- *The City will enter into negotiation with West Kootenay Power to acquire that part of the property owned by the utility;*

Suitable development would consist of the following:

- *boarding home for no more than 10 residents;*
- *minor group home;*
- *duplex or semi-detached dwellings;*
- *or single detached home with a secondary suite,*

In accordance with the definitions and requirements of the City's Zoning Bylaw 8000:

- *Secondary uses of this property might include a minor care centre, in accordance with the requirements of the City's Zoning Bylaw 8000;*
- *The City will undertake to re-zone the property from P4 to RU6 or RU6b, depending on the proposal that is selected;*
- *Prospective tenants of the proposed development should fall within the Core Need Income Thresholds established by BC Housing and provided in the City's Housing Resources Handbook;*
- *Rents should not be above the latest CMHC average rents, provided in the City's Housing Resources Handbook;*
- *If homes are offered for purchase, the price should not be above the latest starter home price identified by the City in the Housing Resources Handbook;*
- *Needs groups for housing to be targeted for the development should consist of any of the following groups that fall at or below Low Income Cut-Off levels (see the Housing Resources Handbook):*
 - *Lone parent families;*
 - *Couples;*
 - *Two parent families;*
 - *Single person households of non-elderly persons;*
 - *Elderly single person households;*
 - *Special needs households (i.e. people with disabilities);*
- *The City will acquire the land and lease it back to the partners responding to the RFP through a long-term lease arrangement;*
- *The City will enter into a public-private partnership with the successful RFP respondents which will specify the details of the arrangement by the means of a legal agreement registered against the property.*

The italicized area of the resolution contains the specifics for a housing development at the property located at the northwest corner of Morrison and Richter Streets. Since that time, the land transfer of part of the property from West Kootenay Power (now Aquila) to the City, has been completed and two proposal calls have been issued. In response to the first proposal call, the City received one proposal to develop the property. The respondent has now proceeded with alternate plans and does not wish to pursue a project at 2490 Richter. A second, simplified proposal call was made in Spring of 2002,

with minimal response. One proposal suggested row housing on the property, but did not respond to staff request to revise the idea so as to conform to the OCP. Another idea was put forward by the CMHC representative of the Housing Needs Committee to pursue flex housing on the subject land, in partnership with CMHC. Since that time, staff and the committee have been working on this concept.

REPORT

Staff and housing committee members (a sub-committee has been formed to work on this project) are of the opinion that a demonstration project featuring flex housing on the subject lands is a good idea, offering several additional benefits to the City, while maintaining many of the original hopes of providing affordable housing on at least part of this property. Some amendments from the original directions would be necessary and therefore Council's authorization to proceed is being requested.

A primer on flex housing is attached to this report in paper form. More information can also be obtained from the CMHC web site at the following location: <http://www.cmhc-schl.gc.ca/en/imquaf/flho/index.cfm> . The four main principles of flex housing are very compatible with the City's desires to achieve an affordable and/or special needs housing project on this site. They are:

1. Adaptability
2. Accessibility
3. Affordability
4. Healthy Housing

A key part of the concepts behind building flex housing is that design features to increase the ability of the home to adapt to changing needs over time can be made at relatively low cost at initial construction, when compared to trying to achieve similar changes to conventional housing. The only exception to this is how far one is able to achieve healthy housing design before significant increases in costs are incurred. Within the healthy housing aspect, however, it is feasible to achieve greater energy efficiency. This reduces utility costs to the resident and would be consistent with some of the ideas that Aquila would like to promote. Energy efficiency is an aspect the sub-committee would like to see included as part of a flex housing project.

A similar project has been underway in Richmond. The Richmond project had fewer objectives; the primary one being to demonstrate how a secondary suite could be incorporated as part of a single detached development, including flex housing features. At the end of the demonstration period, the property is to be sold in the regular housing market with no conditions attached. Costs incurred by the City and the builders/contractors are to be recovered from the sale and additional revenues to the City are to be placed in a reserve fund. Affordability is not a key part of the Richmond project. Materials and information regarding the Richmond project were provided to Kelowna by Richmond staff. One benefit of learning from the Richmond example is to confirm a similar experience to the one that Kelowna has had with the 2490 Richter property. Early proposal calls for the Richmond project received very little response. This was when the City of Richmond had decided to sell the property to the builder at the initial stages of construction. According to responses received from those who picked up proposal packages in Kelowna and Richmond, there is insufficient incentive to respond to the proposal call when none or few of the costs are covered by the City at the

initial stages. Richmond's subsequent efforts to proceed with the City as the landowner until the completion of the demonstration period achieved a much better response.

Cost of developing of a project at the site in question has City-imposed costs, as well as the variable costs associated with construction. City- initiated costs are described as follows:

Description	Estimated Cost	Cost Responsibility	Notes
Environmental Testing	\$70,000	City	Paid & completed
Re-zoning application fee	\$1,821.75	City	waive
Land	\$200,000	City & Aquila	Recover some following sale of homes. Aquila donated half of the land.
DCCs	\$37,157.67	City – waive on basis of existing lots.	Based on 3 multi residential units plus one single detached
Subdivision (technical) fees	\$910	City	waive
Marketing & Evaluation of the Project	\$10,000	CMHC	Total amount to be determined. City will need to apply for funding.
Richter Rd. frontage & lane upgrades	\$42,600	Builder	
New sanitary service & water service	\$8,500	Builder	
Morrison Ave. frontage upgrades	\$15,600	Builder	
Building & other permit fees	To be determined	Builder	Roughly \$2,000 in building permit; plus plumbing & heating permits
Other servicing & engineering costs	To be determined	Builder	
Construction costs	To be determined	Builder	

The City has committed to cover the equivalent of roughly \$309,890 towards the achievement of a housing project on the property at 2490 Richter, in order to realize some affordable housing and to demonstrate the features and benefits of flex housing in an RU6 zoning context. The builder will need to be responsible for the remaining costs, which should be recovered through the sale of the property. Any additional profit would be shared between the builder and the City at an agreed proportion. About half of the land cost was donated by Aquila (formerly West Kootenay Power) and partial recovery of this cost would be returned to the City's housing reserve fund. Aquila has asked for recognition in the achievement of this housing project.

Based on the work that has taken place to this point, the idea is to pursue a flex housing project, according to the following steps or stages:

1. Obtain City Council approval to proceed with a flex housing project at 2490 Richter Street.
2. Prepare a flex housing proposal and submit it to CMHC for funding approval. CMHC can offer limited financial assistance towards promotion, organization, evaluation and findings of a flex housing project.
3. Issue a call for proposals for builders to build a flex housing demonstration project on this property subject to the following:
 - The overall concept must conform to the OCP single/two unit residential designation and RU6 zone regulations;
 - One lot is to feature a single detached house with a suite;
 - The second lot is to demonstrate a semi-detached house. This can be left for rental units, or to be sold and strata-titled;
 - Flex housing concepts, including:
 - Adaptability: for changing to accommodate different housing needs over time.
 - Accessibility: features at construction that enhance accessibility of the homes in the present and facilitate future conversions to address needs of people with disabilities as these needs arise.
 - Affordability: at least some of the units must be targeted to the needs groups identified in the previous proposal calls, either as an affordable rental unit or featuring starter home prices for purchase.
 - Healthy Housing: to demonstrate energy efficiency as a desired secondary feature; and possible other features, such as xeri-scape landscaping to reduce water usage, and healthier building materials.
 - Other features of the project would include the opportunity for builders that are hired, and other trades, to demonstrate their products and services as part of the education process. This may help to achieve material donations to reduce the cost of the project.
4. The City will retain ownership of the land during construction and throughout the demonstration period, which will be 6 months, or a suitable agreed time frame.
5. The demonstration period will commence when occupancy permits have been issued for the dwellings that are to be built.

6. The City will cover the cost of planning applications to achieve the project, including the rezoning and subdivision applications.
7. The Builder will service the proposed development, according to engineering requirements.
8. At the end of the demonstration project, the lots will be sold subject to the following:
 - A housing agreement will be applied to each property to achieve one or more of the following:
 - One or more units to be rented no higher than CMHC average rents, including utilities;and/or;
 - One or more units to be sold at starter home prices, according to the City's definition.
 - Proceeds of the sale of the properties will be divided, as agreed, between the City and the builder(s)/contractors to recover costs.
 - Some profit is also to be realized by the builder/contractor(s).
 - Any revenue to the City from the sale that is not needed to cover the costs incurred by the City for this project must go into the Housing Opportunities Reserve Fund.

SUMMARY

Based on the minimal response to proposal calls for a housing project on City-owned land at 2490 Richter St., new ideas for the proposed development have been developed. Staff is recommending that Council authorize a flex housing demonstration project for this site, in partnership with CMHC to achieve educational and affordable housing as results of the project. Application will be made to CMHC, pending Council's authorization, to fund some of the educational and promotional costs. More detailed costs of building at this site are also now available, and a commitment has been made by the City to cover the equivalent of about \$309,890 towards this project, including land costs, part of which was donated by Aquila.

Theresa Eichler, MCIP
Community Planning Manager

Approved for Inclusion

R.L. (Ron) Mattiussi, ACP, MCIP
Director of Planning & Development Services

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Attachment:
Electronic information on flex housing.