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## City of Kelowna

# MEMORANDUM

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DATE: March 15, 2005  
FILE: 5040-20  
TO: City Manager  
FROM: Community Planning Manager  
RE: Housing Policy Recommendations from Social Planning & Housing Committee  
REPORT PREPARED BY: Theresa Eichler

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### RECOMMENDATION:

THAT Council consider the recommendations from the Social Planning and Housing Committee identified in this report and direct staff accordingly.

### PURPOSE:

The Social Planning and Housing Committee has been working with staff to look at more proactive new policy direction to secure affordable and core need (low income) housing in the city. The Committee's immediate priorities are described in this report.

### BACKGROUND:

In 2002, with the initiation of a newly elected City Council, the Social Planning and Housing Committee was formed by amalgamating the former Social Planning Board and Community Housing Needs Committee with about half of the members of each continuing with the new committee. In 2003, the new Community Development and Real Estate Division was created with a view of combining community planning, special projects and property staff to be more proactive at arriving at land-based solutions to community needs. Most of the former functions of all staff are to continue, but the focus is still in the process of shifting. With these changes, committee members are in a learning process and are also shifting their focus. In 2005, grants administration, which formerly occupied a significant portion of the Social Planning Board members' time, was contracted to the Central Okanagan Foundation. Although two members of the Committee will stay involved with the grants process, the former focus on grants has lessened for 2005. Since its 2002 inception, the Social Planning and Housing Committee has devoted significant time to issues around the need for affordable and core needs (low income) housing.

Housing policies were augmented in the Official Plan in 2000 to incorporate the recommendations of the 1999/2000 Housing Study<sup>1</sup>, as approved by Council. Improvements to the City's knowledge and availability of data regarding affordable housing definitions and needs were made through new policy direction. A housing reserve fund was established and calls for proposals to build affordable housing have been made on three City-owned properties to date. In spite of the positive changes, the need for affordable and particularly, core need/low income, housing continues to grow with few new units realized. In fact there are serious deficits in the supply of

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<sup>1</sup> This work included contributions and recommendations of the former Community Housing Needs Committee.

low income housing in the order of thousands of Kelowna households who are low income and paying far in excess of 30% of their gross income for shelter. How to address this need is an issue of such magnitude that no one agency, level of government or initiative will come close to resolving it. Research conducted for the Federation of Canadian Municipalities<sup>2</sup> indicates that capital subsidies in excess of \$50,000/dwelling are needed to provide housing for low income populations, and yet, no new federal or provincial funding is being committed and municipalities continue to have very little resources to make a difference.

The OCP defines affordable and core needs housing as follows:

**8.1.16 Affordability Benchmarks.** *Affordability benchmarks will be published annually in information bulletins, using accepted methodologies and data from Statistics Canada, BC Statistics and Canada Mortgage and Housing Corporation. They are based on the following criteria:*

*Rental: Affordable rents will be the average rents for Kelowna from the annual Canada Mortgage and Housing Corporation (CMHC) Rental Market Report; Owner: Ownership affordability is based on the income level at which a household would be capable of entering the ownership market. This is equivalent to the "starter home" price and is derived based on the purchase ability at the median income level for all two or more person households from the most recent Census, assuming 30 % of gross household income expenditure for shelter. The starter home price will be updated annually between Census years using the B.C. Consumer Price Index (CPI), be published annually by the City and be given for a non-strata-titled home, a strata-titled home and a mobile / manufactured home;*

**8.1.17 Core Need:** *Consider, based on data from Statistics Canada or Canada Mortgage and Housing Corporation (CMHC) or British Columbia Housing Management Corporation (BCMHC), households to be at core need for housing when they meet the following criteria:*

- *Qualify as at or below core need income threshold (CNIT) developed by CMHC and used by the British Columbia Housing Management Commission for Kelowna, and/or;*
- *Household income falls at or below Low Income Cut-Off level defined by Statistics Canada for urban areas greater than 100,000 people, based on household size, and/or;*
- *Household is receiving BC income assistance for Welfare to Work or Disability Benefits or qualifies for Targeted Rent Subsidy Programs (TRSP) operated by BC Housing, or dwelling is built with senior government funding to be affordable;*

*The City will publish the above information by available means, and it will be current;*

#### REPORT:

In May of 2004, the SPHC helped staff to host an affordable housing information event for the public. Since that event, staff has conducted significant research on options for achieving greater results in the provision of core needs and affordable housing. There is a recognition that the City will need to take a more pro-active role in order to influence additional supply of core needs and affordable housing in the community. Much of the research conducted pointed to introduction of mandatory policy and regulations, based on the experiences of municipalities all over North America. These initiatives were reviewed with the Social Planning and Housing Committee and with planning staff. The Committee took part in a workshop with staff on December 14<sup>th</sup>, 2004 to review housing issues and actions suggested by staff and arrive at committee-level recommendations for new housing directions. The Committee added recommended actions and prioritized its preferred actions. At the March 2005 committee meeting, the Committee decided

<sup>2</sup> See Affordable Housing Strategy on FCM web site: [www.fcm.ca](http://www.fcm.ca); under Documents, Policies and Events

that its highest priority preferred recommended actions should be taken to City Council. These are identified below:

1. ***An annual payment should be made to the Housing Opportunities Reserve Fund as part of the budget process. The recommended amount is \$100,000 per year for 3 to 5 years, increasing to \$200,000 per year after 3 to 5 years.*** Staff recommended \$100,000 per year for 10 years as part of the research conducted within the last year. This will mean an impact on taxation, which had been avoided in the past. However, the growth of the fund based on other sources of funding (primarily the sale of land) has been insufficient to provide the City with adequate flexibility to pursue many projects involving affordable and core needs housing.
2. ***The Housing Opportunities Reserve Fund should be used to secure both affordable and core needs housing.*** The current Housing Opportunities Reserve Fund By-law (attached) already allows for this. No direction as to percentage allocation to either was made. Need for core needs housing is so great that the focus would seem to be needed more urgently in this area. However, the City has inadequate resources to influence the supply of core needs housing without significant senior government subsidies. It can generate results in terms of affordable housing, by contrast.
3. ***The Housing Opportunities Reserve Fund should be used to give grants in return for the provision of core need or affordable housing units.*** The current policy direction is to use the fund to acquire and lease or sell land to generate affordable and core needs housing. This was based on models of other municipalities and the idea that the fund should be self-perpetuating so as not to place demands on tax revenues. Research indicates that in BC, grants by municipalities are seen favourably by BC Housing and non-profit housing societies. In some areas where housing reserve funds have built to a certain level, the interest from the fund is used to give grants, while the balance of the fund is used for land for affordable housing. Interest rates and the modest amount of money in the City's Housing Opportunities Reserve Fund indicate that Kelowna will not be able to do this effectively for the foreseeable future. Grants mean that the fund can be depleted faster and will need to draw money from taxation in addition to sale or lease of land and donations.
4. ***DCCs should be waived in under provisions of the legislation (Section 933(12) of the Local Government Act) for non-profit rental housing<sup>3</sup>.*** The legislation now provides municipalities with the ability to do this (wording in the footnote). What it means is that the DCC revenue that was expected would have to be drawn from other sources. Staff estimates that there would be relatively few units on an annual basis that could qualify for waiving of DCCs, so the impact would not be great. However, staff has not recommended waiving of DCCs in the past. Waiving of DCCs is seen positively by senior government, however.
5. ***The development of the City-owned KSS site should include a requirement for 10% of housing units to be affordable, and as well as a portion of the revenue from the sale of the KSS property to go to the Housing Opportunity Reserve Fund.*** This is consistent with the original staff recommended specifics for development of the KSS site relative to housing. The recommended amount of revenue to be directed to the Housing

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<sup>3</sup> The reference from section "933- Development Cost Charges – generally" of the Local Government Act is below:

- (12) As an exception to subsection (11), a local government may provide assistance by waiving or reducing a charge under this section for not for profit rental housing, including supportive living housing.

Opportunities Reserve Fund was to be clarified later and would depend on the accepted price of the property and the details of the development of the site. The redevelopment process is under review at the moment. Core needs housing was not originally recommended for the KSS site due to the value of this property. Staff was of the opinion that greater benefit in the form of greater numbers of affordable and core needs housing units could be generated by using some of the revenue from the sale of the KSS site to generate housing projects elsewhere. Staff is also concerned that sources of senior government funding to realize core needs housing are not defined at this time.

6. ***A workshop should be held with the development industry to improve the use of density bonusing to generate affordable and core needs housing units.*** Staff is working to proceed with this event. A late spring date is anticipated.

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Approved for Inclusion

David Shipclark  
Manager, Community Development & Real Estate

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Electronic Attachment: Housing Opportunities Reserve Fund By-law