
City of Kelowna

MEMORANDUM

DATE: July 15, 2005
FILE: 5040-20

TO: City Manager

FROM: Community Planning Manager

RE: Housing Opportunities Reserve Fund By-law 8593

REPORT PREPARED BY: Theresa Eichler

RECOMMENDATION:

THAT OCP Bylaw Text Amendment No. OCP05-0014 to amend Kelowna 2020 – Official Community Plan Bylaw No. 7600 by amending the wording of 8.1.20 as outlined in the report of the Planning & Corporate Services Department dated July 5, 2005 be considered by Council;

AND THAT Zoning Bylaw Text Amendment No. TA05-0008 to amend City of Kelowna Zoning Bylaw No. 8000 by amending the definition of Special Needs Housing in Section 2 – Interpretation, as outlined in the report of the Planning & Corporate Services Department dated July 5, 2005 be considered by Council;

AND THAT OCP Bylaw Amendment No. OCP05-0014 and Zoning Bylaw Text Amendment No. TA05-0008 be forwarded to a Public Hearing for further consideration;

AND THAT Council proceed with amending the Housing Opportunities Fund Bylaw 8593, in accordance with the document attached to this Planning & Corporate Services Department report dated July 5, 2005 showing the proposed changes;

AND FURTHER THAT final adoption of the amendment to the Housing Opportunities Fund Bylaw No. 8593 be considered subsequent to final adoption of the OCP amendment and Zoning text amendment bylaws.

PURPOSE:

Some wording changes to the OCP, Zoning By-law and Housing Opportunities Fund By-law 8593 are required to allow the City to proceed with changes recommended by the Social Planning and Housing Committee and endorsed by Council on March 21st, 2005. One of the changes proposed by the Committee was to authorize grants to be made for low income housing projects from the Housing Opportunities Reserve Fund. Staff has been conducting research and working with the Social Planning and Housing Committee to determine more pro-active ways of addressing Kelowna's housing needs. This report serves to update Council on the current housing affordability and needs information and to introduce some incremental changes to enable the City to more effectively address housing need where the greatest need lies. Further changes

will need to be made over time as the City continues to use its available tools and resources to help address housing needs of its low income populations.

REPORT:

Council first approved Housing Opportunities Reserve Fund By-law 8593 in 2001, as part of the implementation of policy direction in the OCP to establish a housing reserve fund to be used to generate affordable housing. The policies are as follows:

8.1.19 Housing Reserve Fund. *Continue to support the housing reserve fund, using available monies from: annual budget allocations, voluntary contributions from other agencies and the public, a portion of the proceeds of the sale of surplus municipally-owned land, land lease revenues, and a proportion of the sale of market units on City-owned lands;*

BL9165 (February 24/04) updated the following policy:

8.1.20 Use of Housing Reserve Fund. *Use the housing reserve fund for the purpose of acquiring lands to be leased or purchased from the City by non-profit groups or developers to provide housing by means including public/private partnership agreements, subject to the criteria specified in the Housing Reserve Fund Bylaw;*

BACKGROUND:

In the last year, staff has been conducting research to determine more pro-active ways to augment the supply of affordable and core needs (low income) housing. Part of this research included a special data run of the 2001 Census to compare households by income and proportion of income devoted to shelter. The Census shows that the largest area of need in Kelowna for housing affordability is with very low income households.

HOW HOUSING AFFORDABILITY IS DEFINED:

Thirty percent of before tax household income is the accepted¹ maximum income that should be devoted to be able to afford shelter, which includes rent, heat, electricity, water, and the costs of ownership, including mortgage, and property taxes. Housing affordability is defined in the Official Community Plan under policy 8.1.16. Affordable rental housing is based on the average rents published annually for Kelowna by CMHC. Affordable ownership is based on the median income level of a two or more person Kelowna household, which is \$57,300 at 2004 levels (updated using the BC CPI). This allows a household to buy a starter home at a price of \$161,087 (non-strata titled, single ownership dwelling), \$142,974 (strata titled dwelling), or \$118,086 (manufactured home with pad rental, additional). The number of households at this income level exhibiting spending of 30% or more on housing is less than one tenth that of lower income households in Kelowna. Focusing on ownership affordability will not address the largest segment of need in the City. The market has actually produced new housing, primarily in the form of multi-unit strata-titled buildings, that included units sold at starter home prices over the last few years. Resale of older homes, primarily strata-titled, has exhibited the largest area of sales of homes at starter-home price levels or less. CMHC, in its latest presentation of market trends for Kelowna,² predicts more sales and construction activity in the starter home market.

Core needs housing is defined in 8.1.17 of the OCP. This represents primarily very low income households, where the majority of the city's housing need lies. Provision of housing at levels that these households can afford requires a significant housing subsidy that the City is not in a position to provide without significant additional senior government investment. Research conducted by the National Housing Policy Options Team / NHPOT (Federation of Canadian

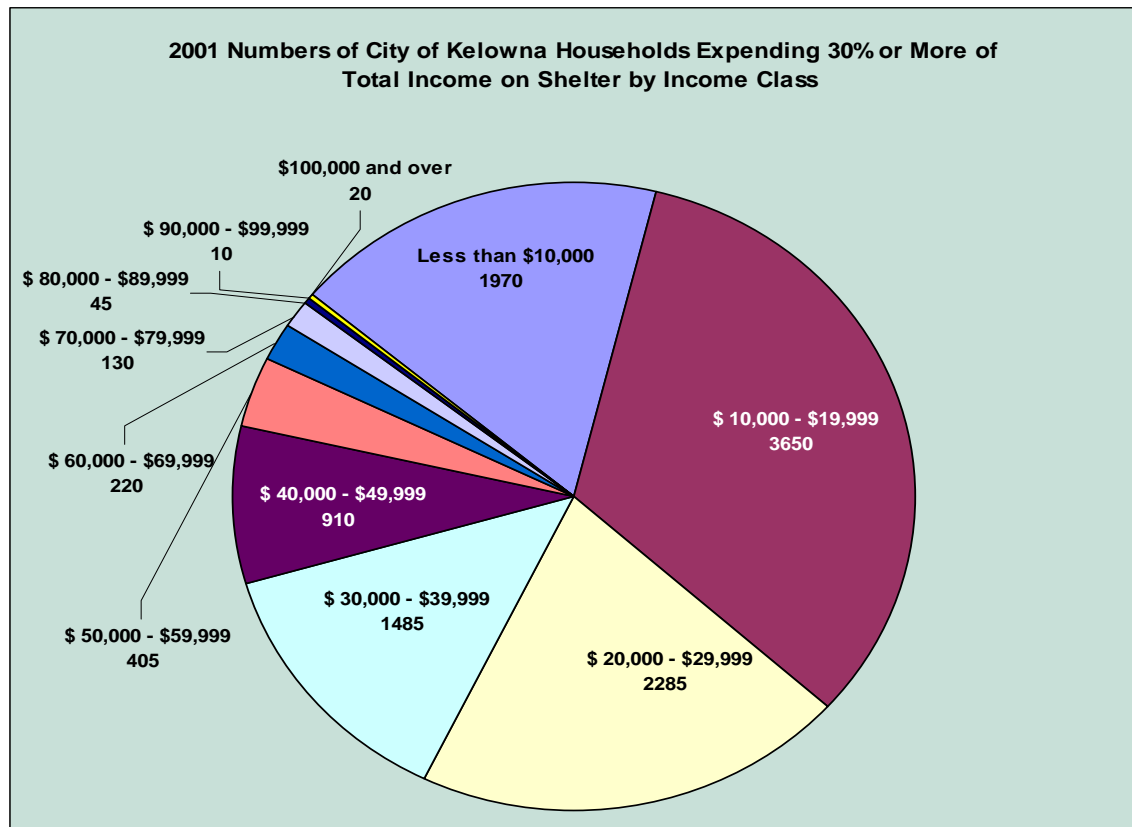
¹ Supported by CMHC & international research.

² Presentation by Paul Fabri of CMHC dated June 7, 2005.

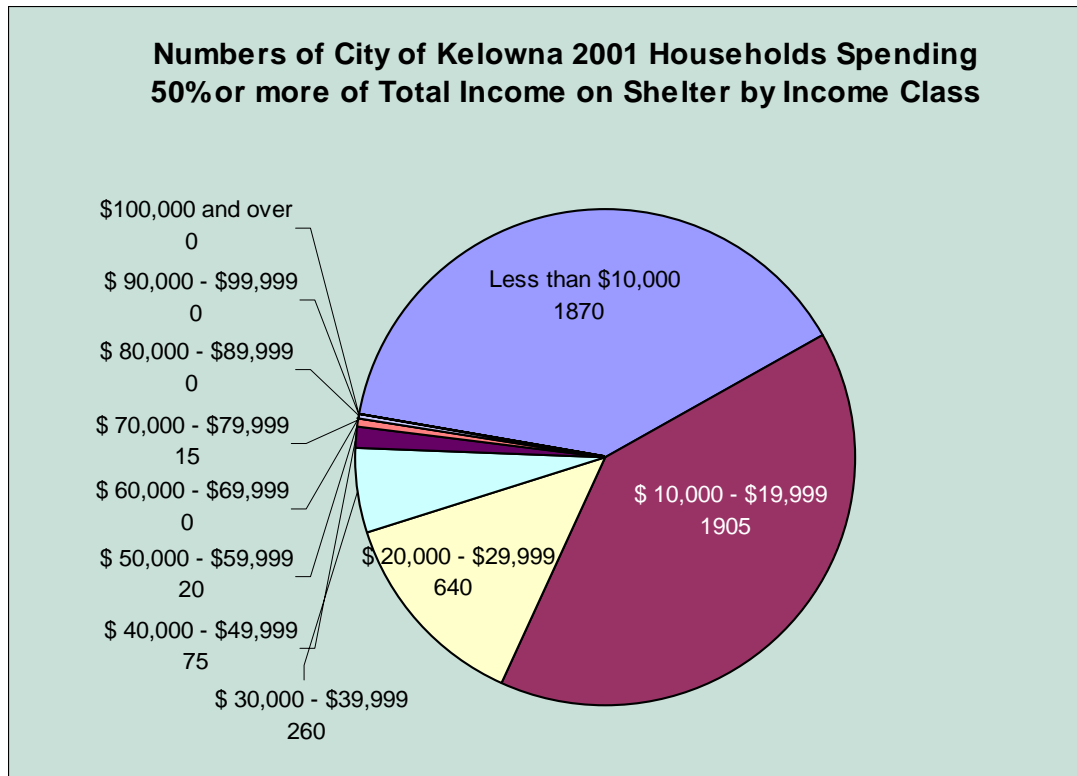
Municipalities / FCM) shows that the same problem exists in almost every major Canadian city and that government subsidies in the order of \$75,000 per dwelling, in addition to whatever municipalities can bring to the table, will be needed to provide housing for low income populations. Other issues that need to be addressed before the situation changes are low wages earned by the large majority of low income households that rely on employment income and higher assistance levels for people with disabilities or illnesses who are unable to work. For the last few years, BC Housing has been operating on the basis of a \$50,000 per dwelling subsidized cost, with half of this amount being federal housing dollars and half provincial. Recognition that this amount is insufficient has been made.

QUANTIFYING KELOWNA'S HOUSING NEED:

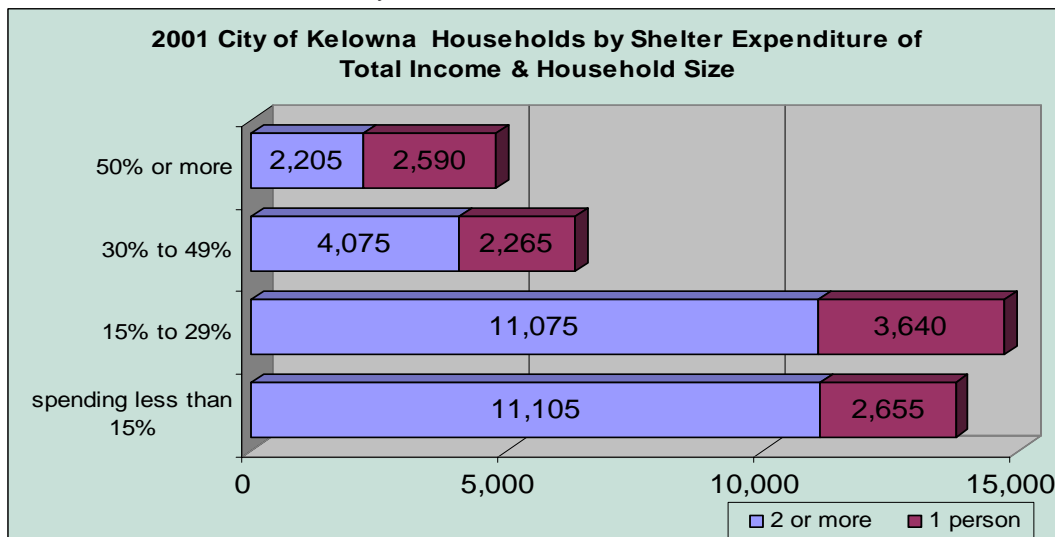
Some charts are provided to give Council an overview of the numbers of Kelowna households exhibiting expenditures of 30% or more on housing by income level. This is 2001 information, but income levels will not have increased enough to improve the situation:



The next pie chart is a subset of the one above, exhibiting households by income class that are spending half or more of their income on shelter. The majority of these are also very low income households. The situation is unacceptable, but is common across all Canadian cities. These households will be accessing the food bank and/or doing without basic necessities in order to keep the roof over their heads. Nearly 4,000 Kelowna households make \$20,000 or less before tax income at 2001 levels and are paying half or more of this towards housing.



The chart below divides household spending levels on housing by household size, whether they are single-person households or two or more person households. There are significant numbers of both paying 30% or more for shelter. Most of these will be tenant households, as the income levels where this type of housing expenditure is demonstrated are mostly in income classes far lower than what is necessary to afford ownership. More charts based on the Census run of housing expenditure and income data are provided in the 2005 Housing Resources Handbook on the City's web page³.



³ www.kelowna.ca Under City Hall, select documents / departments / development services / general documents

The following table is the policy-supported (8.1.25 in the OCP) means that the City estimates need for low income (core need) housing in Kelowna:

This Table consists of Low Income Households by Living Arrangements, Compared Against Subsidized Housing Supply to Estimate the Deficiency of Low Income Housing Supply

HOUSING NEED GROUP (2001 census information)	NO. OF LOW INCOME HHLS	PUBLICLY-FUNDED HOUSING UNITS (updated 2005)	OTHER HOUSING RESOURCES (NOT COUNTED AS PERMANENT SUPPLY)	DEFICIENCY (PERMANENT HOUSING)/ NUMBER UNITS
female lone-parent families	2131	650 units to serve all these groups	Approximately 750 families received B.C. shelter ⁴ assistance in 2004	4,089 family-oriented
male lone-parent families	177			
couples/ no children	1,181			
2 parent families with children	1,250	1,365: includes 561 beds in nursing homes; supportive housing & 2-person or more units		653⁵ units
elderly living alone	2,671 •			
non-elderly, one person hhlds	3,581 ➤			
		➤ 276 units or beds for those with mental or physical disabilities (Appendices 10 & 12)	➤ approximately 180 motel units in 1998	3,232 non-elderly one-person units (temporary housing is not included)
		➤ 25 subsidized one-bedroom units for those with physical disabilities	➤ 155 temporary shelter beds	
		➤ 48 one-bedroom subsidized units	➤ 101 beds of addictions recovery	
			➤ approximately 2,135 singles received B.C. shelter assistance ⁶ in 2004	

What this table shows is the supply of subsidized housing against the numbers of low income households in the City. The numbers are consistent with the Census run graphs shown earlier. What they show is that after accounting for the subsidized housing supply, there are still large numbers of low income households left without access to housing they can afford. They are the ones paying over 30% and up to 50% of their gross income and more to keep a roof over their heads. Within the family-oriented households, whether they are lone-parent families or couples with or without children, there are 4,089 low income households living outside of subsidized housing. Those receiving BC Shelter Assistance included only 750 out of those 4,089 families. The majority of family households are supported by employment income. In addition there were 3,232 single person households who were not seniors living outside of subsidized housing, but within this group, 2,135 were receiving BC shelter assistance and up to 300 many be in some sort of temporary housing. Single person households include a much larger proportion of people with disabilities, illnesses or dependencies who would qualify for BC assistance. Finally there are an estimated 653 seniors who have no access to subsidized housing.

Contrary to perception, the majority of low-income or core need Kelowna households with severe housing affordability limitations are within the labour market, working at part-time or full time jobs that do not pay enough to afford the basic necessities in our city. Those paying more than they can afford for housing are likely seeking assistance from the food bank and/or doing without essentials, like proper heating, in order to pay the rent. This is a serious issue in terms of the continued health of our local economy. The majority of the people living in low income situations are the same ones that are supporting our tourism, construction, trades, commercial and health sectors. If they continue to experience such hardship, in terms of lack of affordable accommodation and difficulty affording basic necessities, our economic sector will suffer by not

⁴ Provincial Ministry of Human Resources – staff consultation

⁵ Based on assigning half of the publicly funded units to 2 person households, assuming some elderly will be able to share.

⁶ Provincial Ministry of Human Resources – staff consultation

being able to retain a healthy workforce. Kelowna is fast becoming one of the most expensive places to live; 4th highest in Canada, in terms of housing prices and 6th in North America in terms of food costs⁷. It also features lower median family incomes than comparable centres, including Kamloops and Prince George; certainly much lower than the provincial norm. These figures are shown in the table below:

Kelowna Family Income Compared to Other Areas

Location	2001 Median Family Income – Census
Canada	\$66,160
B.C.	\$64,821
Kelowna	\$51,369
Prince George	\$60,578
Kamloops	\$56,188
Vancouver	\$51,268

These numbers are reason for grave concern for our entire community.

IDENTIFYING APPROPRIATE ACTION:

City staff and members of the Social Planning and Housing Committee are in the process of re-examining the effectiveness of using the housing reserve fund only to acquire and use land to achieve developments that feature affordable or core needs housing within market housing developments. Affordable housing that meets the City's definitions will still not be affordable to the very low income households most in need of housing in the city. The present direction envisions housing developments that consist of a healthy mix of housing that serves a broad spectrum of income classes, instead of creating low income housing "ghettos". However, recent research on the issue of the need for low income housing in Canada reinforces the importance of providing a consistent supply of subsidized housing which is the only answer for some populations, in particular, female-led single parent families, where children are included in need of housing (Canadian Housing & Renewal Association / CHRA, Spring 2005 Issue of Canadian Housing).

BC is fortunate to be one of only two provinces in the country that has a structured, provincial subsidized housing program, which is operated by BC Housing, a crown corporation. Since its inception, BC Housing has funded many new subsidized dwellings in the province as well as taking over management of CMHC older funded housing projects. Kelowna has fared well in terms of the number of subsidized dwellings that have been secured, but the program only serves a fraction of the need province-wide. BC Housing advises that grants and waiving of fees are most effective as municipal contributions that help to secure housing projects featuring low income housing subsidized by the Province⁸. Many of these BC Housing funded developments also feature housing at market rents so as to create a healthier mix of housing. Some projects are more effective at this than others. Non-profit housing providers have advised that cash contributions are more desirable than land leases or lower cost land. The Social Planning and Housing Committee also recommended awarding grants from the City's Housing Opportunities Reserve Fund over other options for augmenting the low income housing supply.

UDI representatives, at a recent density bonusing workshop, and in discussions with staff, have advised that they do not favour the use of housing agreements by the City to secure affordable or special needs housing units within a development, in accordance with the Local Government Act.

⁷ Economic Development Commission of the C.O. Regional District.

⁸ Provincial capital housing subsidies consult of 50/50 federal/provincial dollars.

Restrictions registered on title affect the marketability of a project. UDI also advise that their members do not feel the burden of responsibility for the **existing** deficit in the supply of low income housing should lie with new development but is the responsibility of the entire tax paying population. Not all developers share this viewpoint and there was “wobble room” for a more flexible negotiated density bonusing process expressed at the workshop.

Having said this, there is still an acute need for rental housing in the City, with a 2004 vacancy rate of 1.1%. If rental buildings can be built and if some of those units could be held at the City's definition of affordability, this also would be of significant benefit.

An opportunity that is not being realized is for some of the projects that have been approved by Council and others that are still in the application process. These are proposals that go beyond the anticipated height and/or density set out in the OCP. There is a policy guiding this type of proposal in 8.1.31 of the OCP which sets out criteria for evaluating OCP amendment and rezoning applications for residential densities greater than those provided for on the Generalized Future Land Use Map 19.1 in the OCP. The first of these criteria is as follows:

- *A portion of the proposed units are available for affordable, special needs or rental housing identified to be in short supply (guaranteed through a Housing Agreement)*

The opportunity to alternatively contribute to the Housing Opportunities Reserve Fund needs to be added to this policy. Even when staff support cannot be provided for an amendment to the OCP which proposes residential densities and/or heights beyond what would be permitted under present policy, when Council decides to approve the application, the City should consider negotiating with the developer to make a contribution back to the community in the form of a donation to the Housing Opportunities Reserve Fund or a housing agreement to designate some of the units within the development as affordable housing (preferably rental housing). There is another loophole in this policy and that is that it refers only to densities exceeding those set out in the OCP. Height may be proposed that exceeds OCP policy direction while not exceeding the density provisions. Increased height alone should also be considered carefully, with attention to what the developer is able to offer back to the community, particularly in the form of a contribution towards the supply of low income housing. The difficulty with this approach is that it does not fall within the provisions of density bonusing or housing agreements under the Local Government Act.

Changes to OCP policy will need to be made to enable the provision of grants from the housing reserve fund to projects featuring low income housing subsidized by the provincial and/or federal governments. These are necessary in order to enable parallel changes to the Housing Opportunities Fund By-law 8593. A copy of the By-law with the proposed changes is attached to the report. Other changes have been incorporated in the By-law to clarify housing terminology. The By-law currently refers to “special needs housing” and uses the definition for special needs housing from the zoning by-law. Recommended policy changes are identified below:

BL9165 (February 24/04) updated the following policy:

8.1.20 Use of Housing Opportunities Reserve Fund. *Use the housing opportunities reserve fund for the purpose of acquiring lands to be leased or purchased from the City by non-profit groups or developers to provide housing by means including public/private partnership agreements, subject to the criteria specified in the Housing Opportunities Reserve Fund Bylaw. The fund may also be used to provide grants to affordable or low income housing projects that are subsidized by provincial and/or federal government, as set out in the Housing Opportunities Reserve Fund By-law;*

Special Needs Housing:

Special needs housing is defined in the zoning by-law and current Housing Opportunities Fund by-law and referred to in OCP policy. In terms of encouraging the supply of special needs housing, the area of real need for this group is also for low income housing. Those that do not

New proposed text.

have income limitations can afford to obtain housing that serves their particular needs. The most common example of this is the large supply of seniors housing in Kelowna that offers services to seniors requiring extra assistance, such as meals, transportation and contracted medical services. This large supply is available to those who can afford the private developments that have been built. For the most part, the lack of special needs housing lies with low cost housing. The city should not be offering density bonusing through housing agreements to special needs housing that is at the high end of market costs, nor using City-owned land or financial incentives to generate this type of housing. The current inclusion of special needs housing was based on the definition that was developed to be as close as possible to the definition used by BC Housing, when the present zoning by-law was being prepared. BC Housing would only fund special needs housing if it was also serving a low income population. In order to address this, the references to special needs housing in the Housing Opportunities Fund By-law are proposed for deletion.

Also, the following policy changes are proposed within the OCP relative to special needs housing.

Finally, the following change to the definition of special needs housing in the Zoning By-law is proposed.

SPECIAL NEEDS HOUSING means housing for ~~households~~ *people that meet the definition of core needs in the Official Community Plan* ~~that have limited shelter options; that fall below a household income required to afford market housing;~~ and includes seniors or persons with or without children who lack safe and secure housing or are leaving an abusive relationship, single parents and children who are at risk, street youth or homeless persons, or people with mental or physical disabilities, illnesses, or dependencies.

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Approved for Inclusion



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