
City of Kelowna

MEMORANDUM

DATE: July 13, 2006
FILE: 5040-20
TO: City Manager
FROM: Community Planning Manager
RE: Change to Housing Opportunities Fund By-law 8593 and Council Policy – Financial Assistance for Non-Profit and Affordable Rental Housing

REPORT PREPARED BY: Theresa Eichler, Community Planning Manager

RECOMMENDATION:

THAT Council proceed with amending the Housing Opportunities Fund Bylaw No. 8593, in accordance with proposed changes shown in the Planning & Corporate Services Department report dated July 13, 2006;

THAT Council adopt the attached Council Policy to introduce a process for allocating annually budgeted funds for financial assistance to new affordable rental dwellings, new non-profit affordable rental dwellings and for allocating full or partial waivers of DCC's for non-profit rental housing units, based on annually budgeted funds identified for this purpose.

PURPOSE:

To establish a fair process for distributing funds to assist with affordable rental housing.

REPORT:

On March 21, 2005 Council endorsed six recommendations from the Social Planning & Housing Committee (SPHC) regarding housing affordability. Recommendations included: annual budget allocations to the housing opportunities reserve fund; enabling grants from the fund for affordable rental housing and for non-profit affordable rental housing; and waiving of DCC's for non-profit rental housing. In October of 2005, the Housing Opportunities Reserve Fund Bylaw No. 8593 was amended to allow \$5,000 per unit to be granted for non-profit affordable rental housing and \$2,500 per unit of affordable housing not associated with a non-profit.

As part of the 2006 budget, Council approved an amount of \$60,000 to cover waiving of DCC's for non-profit rental housing. This is to increase to \$120,000 for 2007 and thereafter on an on-going basis. Also, based on the recommendations of March, 2005, an annual budget allocation from taxation was directed to the housing opportunities

reserve fund in the amount of \$100,000 for 2006 to increase to \$150,000 in 2007, and \$200,000 in 2008 and thereafter on an on-going basis.

The original intent of the housing opportunities reserve fund was to build sufficient funds to allow the City to acquire land suitable for housing and lease it back to the private and non-profit sectors to facilitate the development of affordable housing. A later amendment provided the ability to sell land as well.

Financial Services has advised that waiving of DCC's is a decision to shift these charges to the taxpayer. It was for this reason that a supplemental budget request was included for funds to cover waiving of DCC's. Staff determined that an average of 40 units of non-profit rental housing had been achieved in the city over the last 15 years. In some years no units were built and in others, 200 or more were built. The equivalent value of DCC's for 40 dwellings at a Residential 4 density is \$240,000. If each of these units were to realize an additional grant of \$5,000, that would amount to a further \$200,000.

When the available funds are measured against the potential demand for funding assistance for affordable rental housing, it is apparent that grants in the maximum allowable amounts per unit and full DCC waivers, may be insufficient to cover the demand in some years.

A significant part of the rationale for the City to make financial contributions to affordable housing is to lever contributions from senior government in order to ensure that new affordable housing, in need of this additional funding is built in Kelowna. If the City is not seen as a partner, albeit with a lesser capacity to contribute financially, then senior government may allocate their limited dollars to other municipalities.

A fair process needs to be applied to distribution of grants and DCC waivers. Otherwise, a first-come, first-serve approach would mean that a few projects benefit from these incentives, while other worthwhile projects do not realize a contribution from the City as a result of timing of application and therefore cannot proceed.

The need for affordable housing in Kelowna is mostly for lower income households, the majority of which are supported by employment income, but whose income is not high enough to contemplate ownership. This is why grants were proposed for rental and not ownership housing. In Surrey, a program of forgivable loans to facilitate first time home buying was established within the last 5 years using the City's housing reserve fund. Surrey's planning director recently indicated that this program has been discontinued as it helped relatively few households (about 20 per year) in comparison to the level of need. Surrey is in the process of re-examining the use of its housing reserve fund.

Under the Local Government Act, the City has the ability to waive DCC's only for non-profit rental housing, and the SPHC wants to apply this ability in Kelowna. The City must also be accountable for the collection and distribution of DCC funds and cannot put itself in a position of being unable to fund essential services arising from new growth.

With a view of maximizing the number of dwelling units we are able to assist with funding, as set out in the Housing Reserve Fund By-law and by waiving DCC's up to the

annual budgeted amounts, CDRE and Financial Services staff met to develop a Council Policy that would set a process for distributing these funds. The draft policy was then taken to the July 11th meeting of the Social Planning and Housing Committee and reviewed with the committee. With the exception of a minor wording change and an explanation of the proposed policy, committee members were in support of the document.

The primary impact of the proposed policy is that, based on available funding, a grant equivalent to the full DCC waivers charge will support a maximum of 21 units in 2006, 35 units in 2007 and 42 units in 2008 at current DCC rates for residential 4 density units in the city centre. The ability to give partial DCC waivers and a "grant" less than the identified \$5,000 and \$2,500 for eligible units would enable an even and fair dispersal of the funds over more units. In order to be clear about this, the wording of the Housing Opportunities Reserve Fund By-law would have to be changed, as follows:

- 4.3 Monies from the **Reserve Fund** may also be used to provide grants to non-profit groups providing **core needs housing** where other government funding has been secured. Grants will be ~~the equivalent~~ *up to a maximum* of \$5,000.00 per **core needs housing** unit in the housing project and a housing agreement with the City will be required.

BL9473 added a new subsection 4.4:

- 4.4 Monies from the **Reserve Fund** may also be used to provide grants to housing providers at a *maximum level of rate of* \$2,500.00 per unit of rental **affordable housing** and a housing agreement with the City will be required.

The draft policy is attached for Council's consideration. Essential elements are summarized below and include:

1. A deadline of December 31st each calendar year to receive requests for funding assistance for affordable rental housing, including non-profit rental housing;
2. In order to qualify for funding, units must meet the City's definitions of affordable rental or core needs housing and a housing agreement will be required;
3. A means of synchronizing the consideration of non-profit units that would be eligible for consideration of DCC full or partial waiver with the ability to consider funding assistance from the housing reserve fund;
4. The application of annual budget allocations to the housing opportunities reserve fund to use as funding assistance for affordable rental, and non-profit affordable rental housing. This means that funding from other sources could still be allocated to the fund to allow for land acquisitions to achieve affordable housing.
5. The provision for grants for affordable rental, including non-profit rental housing, and the ability to waive all or part of the DCC's, subject to annually budgeted available funds can be combined to enable the maximum of the DCC value as financial assistance;
6. The ability to carry over any unused funds
7. The even distribution of funds based on the eligible units in a given year and the available money.
8. Once authorized, the identified funding is applied as a deduction from the DCC's payable at building permit, eliminating the need to distribute individual cheques.

9. Administration of the funds is proposed through Financial Services with reporting to Community Planning.
10. The ability to carry over allocated funding for units not reaching the building permit stage in a given year to the next year, on application; and the ability to fund staged development in the year that each stage reaches building permit application.
11. Amounts and allocation of funding to the applicants would be authorized by a letter from Community Planning with reporting to Council by the end of March.

Theresa Eichler, MCIP
Community Planning Manager

Approved for Inclusion

David L. Shipclark
Director of Corporate Services

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Electronic Attachment:

Draft Council Policy for Funds for Non-Profit and Affordable Rental Housing

CITY OF KELOWNA

POLICY: _____

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COUNCIL POLICY MANUAL


APPROVAL DATE:

RESOLUTION #:

REPLACING #:

DATE OF LAST REVIEW:

SUBJECT: FINANCIAL ASSISTANCE FOR NON-PROFIT AND AFFORDABLE
RENTAL HOUSING

1. Applications for funding under this policy will be accepted until December 31st of each year. Applications should be submitted to the Community Planning Manager;
2. All applications will be reviewed and funding will be determined by the last Friday in February;
3. Sources of funding will be an amount allocated through the annual City Financial Plan for the Housing Opportunities Reserve Fund and an annually budgeted amount to fund waivers or partial waivers of development cost charges for non-profit rental housing. Un-used portions of the funding in any given year will be carried over and added to the next year's budget;
4. Funds may be awarded as follows, subject to the amount of money available annually:
 - (a) Up to  \$5,000 per dwelling that qualifies as affordable, non-profit rental housing, as defined in current housing policies in the City's Official Community Plan;
 - i. In order to qualify for this maximum amount and the amount in lieu of development cost charges, as set out in (b), below, funding from other source(s) must be confirmed in writing by the applicant;
 - (b) An additional amount that, when combined with funds provided under part (a), is not to exceed the equivalent of the applicable development cost charge per unit of affordable, non-profit rental housing;
 - (c) Up to \$2,500 per dwelling that qualifies as affordable, rental housing that is not built and/or operated by a non-profit society;
 - (d) All units that qualify for funding, based on the City's current definition of affordable rental housing or core needs housing in the Official Community Plan, will need to be identified by a housing agreement with the City registered on the title of the property to confirm that the units will remain as affordable, rental housing.
5. The amount available per dwelling unit, up to the identified maximums defined in 4, above, will be determined based on the number of eligible units that have been applied for and the amount of money available in the given year;

6. Projects where the City has contributed land at little or no cost, by lease or sale, in order to secure affordable housing, would qualify to apply for the funding identified under 4 (a) and (b), above, up to a maximum dollar amount equivalent to the total development cost charges payable, less the market value of the land contributed by the City;
7. Consideration of each application for funding is contingent on there being a reasonable expectation that the eligible units will be constructed in the calendar year of approval. Where a development is being phased, each distinct phase will be treated as a separate application;
8. If dwellings authorized for funding under this policy do not reach building permit stage in the year that the funding was authorized, the applicant can apply to have the authorized amount carried over to the next year;
9. Authorization of funding and the amount applicable will be confirmed in writing by a letter from the City;
10. At time of building permit issuance, the authorized funding will be applied as a deduction from the total development cost charges payable;
11. The Financial Services Department will track funding under this policy against budget information annually and advise the Community Planning Manager accordingly.
12. The Community Planning Manager will report to Council on the distribution of available funding by March 31st, each year.

REASON FOR POLICY: Policy provides the City with resources to partner with senior government and private sector funding to assist in the supply of low-income housing. The City has a defined and significant need for affordable rental housing. The goal is to maximize affordable rental units that can be generated with this approach where other sources of funding may be subject to a contribution by the City.

LEGISLATIVE AUTHORITY: Under provisions of Section 933 (12) of the Local Government Act, a local government may provide assistance by waiving or reducing a charge under this section (refers to Development Cost Charges for not for profit rental housing. Section 189 of the Community Charter governs the use of reserve funds. Policies in the City's Official Community Plan define housing affordability and guide City initiatives for affordable housing. By-law 8593 - A Bylaw to Establish a Housing Opportunities Reserve Fund governs the source of funding for the reserve, defines affordable housing and provides direction for spending of these funds.

PROCEDURE FOR IMPLEMENTATION: Through the Community Planning Manager Annually as authorized by Council through this policy.