
City of Kelowna

MEMORANDUM

DATE: March 8, 2007
FILE: 5040-20

TO: City Manager

FROM: Community Planning Manager

RE: Housing Report No. 3: Terms of Reference for a Land Economist

REPORT PREPARED BY: Theresa Eichler

RECOMMENDATION:

THAT Council authorize staff to issue an RFP to hire a land economist consultant to bring forward recommendations for requirements for affordable housing as a proportion of new development in return for re-zonings that increase density, based on the terms of reference attached to this report;

AND THAT Council continue to pursue a city of Kelowna-based study, but recognize that other municipalities are supportive of this work.

PURPOSE:

To clarify the need and provide Council with the terms of reference to hire a consultant to review affordable housing requirements in return for increased density, known as "inclusionary" policies or regulations.

REPORT:

Council requested clear terms of reference for the hiring of a land economist to evaluate various potential courses of action by the City intended to secure affordable housing in return for increased density. A comparison of the proposed consultant work with previous work conducted by a consultant relative to development of the downtown was also requested.

Staff has reviewed the previous work and would advise that it is not at all related to the work that is requested relative to affordable housing. A consultant was hired in 2001 for the purpose of reviewing a package of changes to increase the allowable building height to 12 storeys within prescribed areas of the Downtown, as well as influence the massing of future buildings to achieve desired urban design parameters. A consultant with real estate development and urban economics expertise was sought to:

- 1) assess the impact of the proposed provisions on the decision by private and public sector interests to develop land within the Central Business District, and
- 2) to help formulate a set of provisions that positively influences that decision.

A second study was conducted by a consultant to look at the effects of development incentives on development in the downtown. Incentives include property tax holidays and reduced loading requirements. Ten sites in the downtown were chosen for specific pro formas to be developed based on various development and design scenarios. Rental housing formed part of some of these theoretical pro formas as an economically viable form of development for the

downtown. The results were that incentives that are legally available to the City would make little difference to the viability of the projects.

Commentary and particular requests were made by UDI and business representatives during this process, but these related to relaxation of parking and open space requirements and design standards. There was no input on affordable housing.

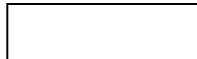
The terms of reference for the requested work by a land economist consultant are attached to this report. The synopsis is that staff wants to be able to recommend sound policy for requiring affordable housing as part of new development in return for increased density. It is seen as critical to ensure that new policies of this nature are financially feasible and viable for developers, non-profits and other partners. Otherwise the policies will be ineffective and no new affordable housing will result.

Cost for the land economist was estimated at \$30,000 for budget purposes. Staff is confident that this cost can be recovered from outside grant sources.

On March 7, 2007, CDRE staff attended a meeting on a Regional Sustainability Strategy at the RDCO offices. Members of the RDCO planning department, Okanagan Partnership, Westbank First Nations Planning, Lake Country staff, Peachland staff and others were there. There was great interest in what initiatives Kelowna is pursuing with respect to affordable housing and a general recognition that municipalities should have a consistent approach throughout the valley. With this in mind, the municipal representatives thought that the land economist report that Kelowna is exploring could and should be expanded to include other municipalities and that they would be able to contribute financially to this work. While this is very positive, CDRE staff is concerned about the tendency for this to delay the process further and that Kelowna will continue to lead in its policy direction without a broader-based and more costly study. Since this funding is likely to be recovered by outside sources, Kelowna does not need the financial assistance of other municipalities. The pursuit of a Kelowna-specific land economist's report is still being recommended.

Theresa Eichler
Community Planning Manager

Approved for Inclusion



David Shipclark
Director of Corporate Services

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Attachment: Draft Terms of Reference for Land Economist

TERMS OF REFERENCE FOR LAND ECONOMIST

1.0 BACKGROUND

The City of Kelowna wishes to engage a qualified land economics consultant to review various options to introduce policy and regulations that would require and/or request the provision of affordable housing in return for increased residential density.

Submissions should include, but not be limited to: proposed methodology and work plan; pertinent experience in completion of similar projects; names and qualifications of sub-consultants and individuals to be assigned to the project; examples of related projects completed; current work commitments; fee structure, disbursements/ charges, schedule and total projected fixed fee.

Submissions are to be received up until 3:00 p.m., local time

2.0 SCOPE OF WORK

The following works shall be undertaken initially by the Consultant within the scope of the project fixed fee submitted:

The consultant is asked to:

1. Examine the options for requesting contributions of affordable housing when proceeding with a re-zoning that increases density, as set out in recommendation 2.1 (in italics, below) of the Kelowna Affordable and Special Needs Housing Task Force by:
 - a. Establishing case properties in Kelowna to explore the viability of each option outlined in Task Force Recommendation 2.1. Case situations should include:
 - i. A property that is commercially zoned in a town centre.
 - ii. A property that is zoned residentially going to a higher density residential zone in conformity with the OCP.
 - iii. A non-residentially zoned (e.g. institutional) property being re-zoned to a higher density zone that permits residential uses.
 - iv. A lower density zone that requires an OCP amendment as well as a rezoning to develop at a higher density.
 - v. The density bonuses that already exist in the zoning by-law.
 - b. Working with the development community.
 - c. Indicating whether these measures will return affordable housing to the City, based on existing models in other communities.
 - d. Indicating whether Recommendation 2.1 is workable and financially feasible for the development community.
 - e. Exploring the legal context and viability of any proposed action under the Local Government Act and the Community Charter.

2. Offer alternative courses of action, should this be necessary.

2.1 Where development applications increase density over the existing zoning, either by increasing height and/or rezoning, or under current density bonuses:

2.1.1 50% of the increase in floor area resulting from the change be provided as affordable housing, registered by a housing agreement with the City; OR

2.1.2 20% of all the proposed development's floor area must meet the City's definition of affordable housing, secured by a housing agreement registered on title; OR

2.1.3 A cash in lieu equivalent to the floor area in affordable housing of option 1, or 2, above (calculated as the difference between the average building permit value for that zone and average market value of the subject floor area).

2.1.4 The above requirements would apply to residential, commercial zones or any other zone that permits residential development.

2.1.5 A further alternative in the form of a levy on all density increases as is being proposed for Penticton.

SCHEDULE OF TASKS:

Methodologies will include:

1. Establishing realistic case scenarios for properties in the city of Kelowna, based on property size, zoning, development capacity before and after re-zoning, increased value to the developer and value of contributions to the City. Values should be appraised market value. Several alternative scenarios, as set out under "Scope of Work" should be outlined.
2. Working with the development community and the City in conducting this research.
3. Comparison of similar approaches that have been undertaken within British Columbia and outcome measures of performance for each.
4. Providing City staff with alternative strategies if the measures proposed in the Affordable and Special Needs Task Force Recommendation 2.1 are determined to be unworkable. These alternatives should be based on proven effectiveness in terms of increased numbers of affordable dwellings and buy-in from the development community in other BC settings.

3.0 COMMITMENT BY THE CITY

The City will make available to the Consultant the following:

3.1 All necessary documentation produced by the City.

3.2 Meeting space, as needed, subject to proper notification to City staff to book the space.

3.3 Access to staff and other City representatives, as needed.