

# Memo



**Date:** February 21, 2010  
**File:** 1850-20  
**To:** City Manager  
**From:** Community Planning Manager  
**Subject:** Grants for Rental Housing; Council Policy 335- Financial Assistance for Non-Profit and Affordable Rental Housing

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**Recommendation:**

THAT Council authorize the changes to Clause 3 and Clause 8 Council Policy 335 -Financial Assistance for Non-Profit and Affordable Rental Housing, as set out on the Community Sustainability staff report of February 21,2010;

AND THAT Council endorse recommended funding for 2010 rental housing grants in accordance with Council Policy 335 as detailed in the Community Sustainability staff report of February 21,2010.

**Background:**

In July of 2006, Council approved Council Policy 335 - Financial Assistance for Non-Profit and Affordable Rental Housing (copy attached to this report). This policy requires staff to report on the funding allocations to rental housing grants each year (Clause 12).

Applications for funding are by a letter to be submitted by year end for the following year's budget allocation (e.g. applications for 2010 funding had to be received by the end of 2009). Advertising for applications is conducted by newspaper advertisements placed every other week over a period of up to two months prior to the deadline, and by news releases on the City website. Grants are determined based on eligibility and available funds; the applicant is advised by a letter and the grant is applied as a deduction from DCCs when they become payable (usually at development permit issuance). The intent is that the application will reach building permit in the same year the grant is authorized. If this doesn't happen, a written request to carry over the grant would be necessary or the funds would go back into reserve.

**Internal Circulation:**

Director of Financial Services  
Director of Real Estate and Building Services  
City Clerk

**Legal/Statutory Authority:**

Community Charter - Section 189

**Legal/statutory Procedural Requirements:**

Council Policy 335

**Existing Policy:**

Official Community Plan                      Policies 8.1.19    8.1.20  
Council Policy 335

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**Financial/Budgetary Considerations:**

Funding for the grants is directly assigned from the annual \$200,000 budget allocation to the Housing Opportunities Reserve Fund. The policy sets funding opportunities of up to \$5,000 per dwelling for non-profit affordable rental housing and a maximum of \$2,500 per dwelling for each affordable rental dwelling that is neither owned nor operated by a non-profit society. The amount of the grants is determined based on the number of units that qualify and the available funds from the budget allocation.

There is a further budget allocation of \$120,000 annually to provide additional grants that are intended to help offset the cost of DCCS for non-profit rental housing. Assigning these funds works as a “top up” grant to the rental grants (over and above the maximum \$5,000 per unit) to a maximum of the DCC per unit that would be applied. Unused portions of the annual \$120,000 are to be carried over to augment the funding in order to provide greater assistance as the program evolves.

Council Policy lacks clarity around carrying over funds from the Housing Opportunities Reserve Fund for the rental housing grants. It is appropriate that the annual \$120,000 to be used for offsetting a portion of DCC charges should carry over to ensure that there are augmented funds in future years. However, the same logic should not apply to the annual \$200,000 budget allocation for the Housing Opportunities Reserve Fund (HORF). This fund has land acquisition as a key priority and is governed by By-law 8593<sup>1</sup>. Therefore, a wording change to the Council Policy 335 is recommended to clarify that annual funding for rental grants will be capped at the annual budget allocation to the HORF, which is \$200,000, with no carryover of unused funds for grants, as set out in Clause 3 of the attached copy of the Council Policy.

A further revision to Council Policy 335 is being recommended regarding requests to carryover authorized grants if a building permit is not obtained in the year the grant was authorized. Staff advises that the policy is unclear on this matter and is recommending that clause 8 of the policy be revised to allow requests for grant carryovers for a maximum of one year, as set out in the attached copy of the policy. Following this a new letter of application would be necessary if the original building is still intended to go ahead.

In 2009, there were three applications for 2010 rental housing grants. Staff is recommending the grants as set out in the table below. One is an individual property owner who is proposing to seek re-zoning to allow a secondary suite on the property and pursue a rental housing agreement to ensure that the secondary suite remains an affordable rental dwelling. One is the Society of Hope for the 2059 Benvoulin development of seniors’ housing with 36 units designated as affordable non-profit rentals. The third is for the Kelowna & District Society for Community Living (KDSL) for the redevelopment of 555 Fuller to incorporate eleven non-profit rental units for the Society’s client population. Although the KDSL proposal is on City-owned land that has been provided for many years at no cost<sup>2</sup>, an earlier commitment to the grant is being honoured. This grant is being treated as a new application for 2010 available funds.

Applicant	Location	Units	Rental Amount	DCC Offset Amount Rec’d	Dollar Amount Recommended
Society of Hope	2059 Benvoulin Crt.	36	\$151,579	\$251,532	\$403,111
Suki Bhullar	1525 Collison Rd.	1	\$2,105	N/A	\$2,105
KDSL	555 Fuller	11	\$46,316	\$76,857	\$123,173
TOTAL		48	\$200,000	\$328,389	\$528,389

To summarize, three grants are being recommended totaling \$528,389; \$200,000 in rental housing grants and \$328,389 in top-up funding to help offset DCCs for a total of 48 rental dwellings.

The next table is provided to give an overview of the history of the rental grant program. Of \$1,126,283 authorized in grants since 2007, \$379,624 has been paid in the form of reductions in total fees paid when

<sup>1</sup> Created in 2001. Click on link below for Housing Opportunities Reserve Fund By-law 8593 ([www.kelowna.ca](http://www.kelowna.ca/CityPage/Docs/PDFs/5CBylaws/Housing%20Opportunities%20Reserve%20Fund%20Bylaw%20No.%208593.pdf) under City Hall / Council / By-laws): <http://www.kelowna.ca/CityPage/Docs/PDFs/5CBylaws/Housing%20Opportunities%20Reserve%20Fund%20Bylaw%20No.%208593.pdf>

<sup>2</sup> See Clause 6 in the attached Policy. The land commitment at 555 Fuller is historical and was not originally for the provision of housing.

the project reaches the building permit stage. The funding was divided into \$110,586 in DCC offset grants and \$269,038 in rental housing grants from budget allocations to the Housing Opportunities Reserve Fund. This year, there are no carryover requests to consider. This translates to 56 units actually being built out of 152 in applications received up until 2009. What we have seen is that there is demand for these grants, but it has proven difficult for rental housing projects to move forward. Often this is due to complications with senior government funding needed to build the project.

Rental Housing Grants						
Year	New Units Applied For	Funds Authorized	Units Carried Over	Funds Carried Over	Units @ Building Permit	Grants Paid
2007	79	\$430,000				
2008	23	\$140,369	60	\$352,112	20	\$81,220
2009	50	\$555,914	36	\$298,403	36	\$298,404
<b>TOTAL</b>	<b>152</b>	<b>\$1,126,283.</b>	<b>96</b>	<b>\$650,515</b>	<b>56</b>	<b>\$379,624</b>

**Personnel Implications:**

The grants require an estimated forty hours annually at the Community Planning Manager level, with additional hours for Finance and Community Sustainability staff to administer.

**Communications Considerations:**

The grants are advertised for more than one month prior to the deadline for submission, weekly in both newspapers and on the City's website. News releases are also provided. Applicants are notified of eligibility and funding by letter, following Council's receipt of the staff report.

**Considerations not applicable to this report:**

**Technical Requirements:**

**Alternate Recommendation:**

**External Agency/Public Comments:**

Submitted by:

T. Eichler, Community Planning Manager

Approved for inclusion:

SB

Attachment: Copy of Council Policy 335 - Financial Assistance for Non-Profit and Affordable Rental Housing, with proposed changes shown

CC:

- Director of Financial Services
- Director of Real Estate and Building Services
- City Clerk
- Director of Policy and Planning



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# Council Policy

## Financial Assistance for Non-Profit and Affordable Rental Housing

APPROVED July 24, 2006

RESOLUTION: R143/07/02/05  
REPLACING: R738/06/07/24  
DATE OF LAST REVIEW: November 2009

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 April 30<sup>th</sup> each year;
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.
  - (a) Funds allocated annually from taxation to the Housing Opportunities Reserve Fund (HORF) will be awarded up to the maximum annual budget allocation. Any funds that are not paid out in rental grants in a given year will return to the HORF to be used for other purposes set out in the Housing Reserve Fund By-law;
  - (b) Un-used portions of the funding for the grants assigned to reduce the amount payable in Development Cost Charges in any given year will be carried over and added to the next year's budget for these grants.
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. Carryover requests will only be accepted for one year following the year the grants were authorized. Any carryover requests beyond one year will be treated as a new application for funding;

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.