

Report to Council



Date: May 17, 2012
File: 0710-40
To: City Manager
From: Community Planning Manager
Subject: 2012 Recommended Grants for Affordable Rental Housing

Recommendation:

THAT Council approve the following rental grant, in accordance with the Housing Opportunities Reserve Fund By-law 8593 and Council Policy 335, updated based on the April 23, 2012 report from the Community Planning Manager entitled "Revisions to Rental Housing Grants Policy and Housing Opportunities Reserve Fund By-law No. 8593", and Recommendation 18 of the Housing Strategy, approved by Council in November of 2011:

- \$100,679.48 for 8 units at 120 Leathead Rd./555 Montgomery Rd. to Davara Holdings Ltd.

AND THAT Council authorize payment of the grant subject to final adoption of the By-law No. 10697, being Amendment No. 4 to the Housing Opportunities Reserve Fund By-law 8593.

Purpose:

This report provides the recommended rental housing grant for 2012 to City Council for consideration and/or approval.

Background:

In July of 2006, Council approved Council Policy 335 - Financial Assistance for Non-Profit and Affordable Rental Housing. Revisions to this policy, resulting from recommendation 18 of the Housing Strategy, have been authorized by Council based on a staff report presented on May 14th. Recommendation 18 of the Housing Strategy, approved in November of 2011 is as follows:

18. Partnerships: *Continue to seek partnerships to achieve affordable housing using City owned land and the rental housing grants program. Expand these partnerships within the private sector.*

Revisions to Council Policy 335, the Housing Opportunities Reserve Fund (HORF) By-law No. 8593, and an explanation of the rental grants process, including the proposed changes, have been detailed in a related staff report which was presented to Council on May 14, 2012. The recommendations of that report were approved by the following resolution:

THAT Council receives for information the report from the Community Planning Manager dated April 23, 2012 pertaining to revisions to the rental grants program;

AND THAT By-law No. 10697, being Amendment No. 4 to the Housing Opportunities Reserve Fund By-law 8593 be forwarded for reading consideration;

AND FURTHER THAT Council Policy No. 335, being "Financial Assistance for Non Profit and Affordable Rental Housing" be revised as outlined to the Report from the Community Planning Manager dated April 23, 2012.

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Any rental apartment building is challenging to build in terms of financing. The City has lobbied numerous times to the Federal Government to create a more positive tax environment for new rental housing (in partnership with other cities through the Federation of Canadian Municipalities (FCM)¹. Purpose built rental housing is in short supply across the country. In Kelowna over 60% of the rental housing supply is in smaller buildings, like suites, duplexes and houses; or in stratified buildings where some of the units are rented until the owner is able or ready to sell. A large proportion of this supply is not considered stable, since it could revert to ownership or lands could be redeveloped, losing some older rental stock. Also, the dwellings in newer stratified buildings are generally rented at higher rents than the median tenant household can afford. Tenants include a high proportion of households earning less than \$40,000 annually and therefore only able to afford \$1,000 / month for rent (which should include heat, water and electricity)². The last Census confirmed there were about 10,000 Kelowna households with incomes less than \$40,000 who were paying significantly more than the 30% recommended maximum on shelter.

In order to own in the Kelowna market, an income of about \$66,000 is needed. Half of all Kelowna households are earning less than this, based on the Census, and about one third of all Kelowna households are renting. The projected need for new rental housing is 300 additional dwellings per year, based on the most current population projections. Therefore, there is a long term need for rental housing that is stable and approaches average market rents³.

Internal Circulation:

Director of Financial Services

Legal/Statutory Authority:

Community Charter - Section 189

Existing Policy:

Council Policy 335

Housing Opportunities Reserve Fund By-law No. 8535

Financial/Budgetary Considerations:

Available funds are as follows:

Housing Opportunities Reserve Fund - annual budget allocation:	\$200,000
Annual Budget Allocation to Rental Grants to provide partial relief from DCCs	\$120,000
Carryover of Unused Funds for DCC Relief:	\$125,280
Total Funds Available	\$445,280

For the 2012 funding there were three applications, two of which qualified. One application has since been withdrawn and the other application was for a 4-plex that did not have a housing agreement in place.

The remaining recommended grant is \$100,679.48 to Davara Holdings Ltd. for a mixed-use building with eight purpose built rental units at 120 Leathead Rd. (now addressed as 555 Montgomery Rd.). This is the equivalent of the DCC for the dwellings and includes, \$40,000 from the HORF portion of the funding and the remaining \$60,679.48 from the annual budget allocation to provide partial relieve from DCCs. The remaining \$60,000 from the HORF would go back into the fund for land purchase and the \$59,320.52 for DCC relief, would carry over for the 2013 rental housing grants program. There is an affordable rental housing agreement in place, which provides the opportunity to the applicant of lifting the agreement by requesting Council permission after a ten year period. In accordance with amended

¹ <http://www.fcm.ca/home/issues/housing.htm>

² =(\$40,000*30%/12)

³ Published by CMHC in the annual Kelowna Market Rental Report.

Council Policy 335, any lifting of a housing agreement from dwellings that receive a rental housing grant, would be subject to repaying the same amount to the City for the HORF.

Grants are applied as a deduction from the total costs payable at the building permit stage.

Personnel Implications:

Administration of the rental grants program is conducted using existing resources and no new impact is expected as a result of the changes to the program.

Considerations not applicable to this report:

Communications:

External Agency/Public Comments:

Alternate Recommendation:

Legal/Statutory Procedural Requirements:

Submitted by:



T. Eichler, Community Planning Manager

Approved for inclusion:

Signe K. Bagh, MCIP
Director, Policy and Planning



Cc: Director of Finance