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City of Kelowna

MEMORANDUM

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DATE: July 17, 2003  
FILE: 5040-20  
TO: City Manager  
FROM: Community Planning Manager  
RE: 260 Franklyn Road  
REPORT PREPARED BY: Theresa Eichler

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RECOMMENDATION:

THAT Council authorize staff to proceed with a call for proposals for development of the property at 260 Franklyn Rd. according to the following:

- The property will be re-zoned to “RM3 – Low Density Multiple Housing”;
- The project is to feature housing where a portion of the units is affordable (owned or rented), according to the City’s definitions of affordable housing, set out in 8.1.16 of the OCP;
- Some of the units would be handicapped accessible or adaptable and affordable, in accordance with policy 8.1.16;
- The opportunity to provide a non-profit community recreation service (as defined in the zoning by-law) in a building space not exceeding 464.5 m<sup>2</sup>. (5,000 sq. ft.) is to be included in the RFP;
- Alternatively, if no community recreation space is provided, additional residential units must meet the City’s definition of affordability;
- Staff will be authorized to negotiate a reduction in market value of up to 25% by the means of lease or sale, in return for achieving a combination of the features outlined above;
- 40% of the revenue from the lease or sale of this land shall be allocated to the City’s Housing Reserve Fund;
- The remainder of the revenue be directed towards the highest identified park need in the Rutland area.

AND THAT Council initiate the following amendments to the Housing Opportunities By-law No. 8593 (new wording in *Italics*, wording to be deleted in ~~strikeout text~~):

Clause 4.1:

Monies in the **Reserve Fund**, including any interest earned, shall only be used to acquire lands which are to be *purchased or* leased from the City by non-profit groups or developers to provide housing by means of public/private partnership *or subject to housing* agreements. *The following shall guide the locations of land acquisition;* ~~subject to those lands being acquired:~~

Clause 4.2:

Any land, or a portion thereof, acquired with the **Reserve Fund** shall be used, pursuant to the public/private partnership, *or housing* agreements noted in subsection 4.1, for the development of **special needs housing** or **affordable housing** (whether for purchase or rent), the availability of which shall be limited to households identified by the City as requiring such housing, including, but not necessarily limited to:

PURPOSE:

To arrive at the components for a proposal call for the City-owned property at 260 Franklyn Rd.

REPORT:

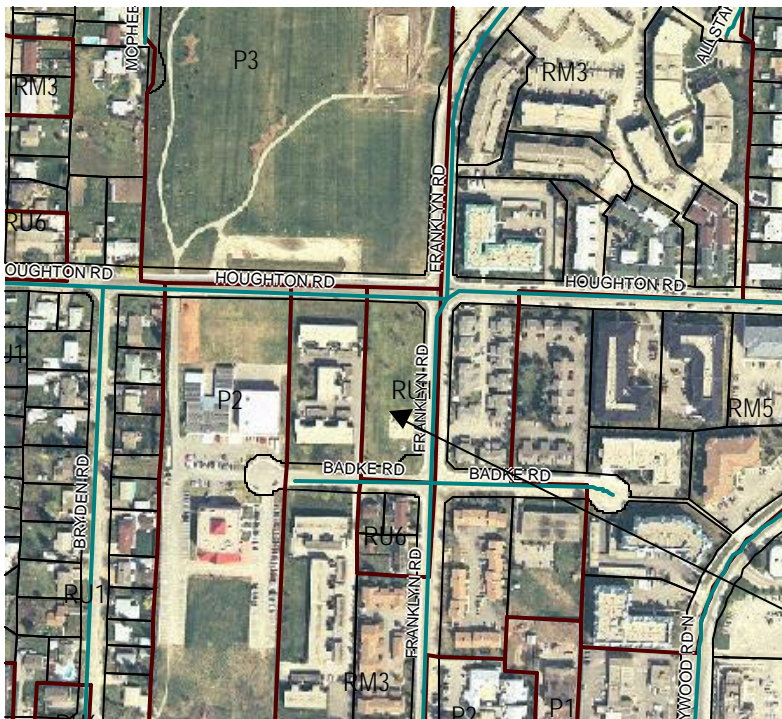
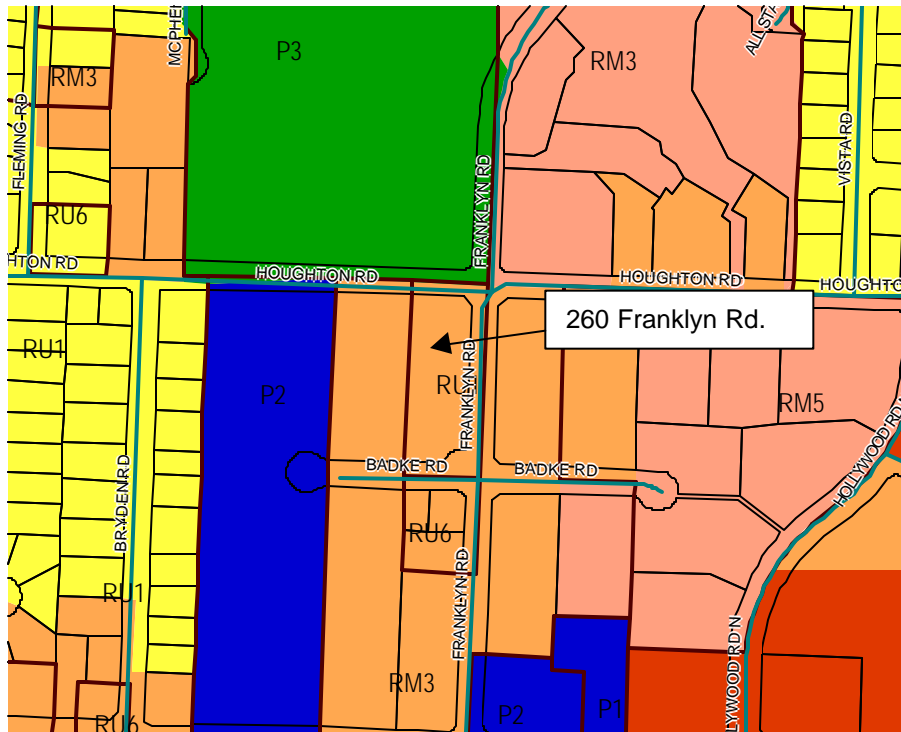
Property Description:

The property at 260 Franklyn Rd. was acquired by the City in 1994 for the value of \$370,000. The acquisition of this site was part of the purchase agreement for other City-owned lands on Pandosy St. Revenue from the overall sale was placed in the land sales reserve. The original purpose of the Pandosy property was for future road, when it was purchased by the City in 1974. When future road plans changed, it became surplus, and the City became the owner of the Franklyn Rd. property as part of the sale of this surplus land.

The 260 Franklyn Rd. property was used to serve as temporary park until such time as Ben Lee Park was developed. Now that Ben Lee Park is a functional and large park available to the broad community, the property at 260 Franklyn Rd. is no longer needed for park purposes. This land has significant potential for development.

It is 5,443 m<sup>2</sup> (1.34 ac.) in size with 108.89 m. of frontage on Franklyn Rd., 38.92 m of frontage on Houghton Rd. and 27.52 m of frontage on Badke Rd. Corner roundings have been taken at both street corners. The zoning is presently RU1 and it is designated Multiple-Unit Residential Low Density in the OCP. Maps are provided on the next page of this report to show the designation, zoning and dimensions of the property. The highest density zone that falls within the Multiple-Unit Residential Low Density of the OCP is RM3. Housing forms permitted in the RM3 zone include apartment housing, congregate housing, row housing, semi-detached housing and stacked row housing. Secondary uses include major care centres and minor home-based businesses. The maximum height of buildings is 2 ½ storeys. The present RU1 zone should be changed such that the property is not under-developed.

The maps on the next page show the property with the OCP designations, zoning and lot dimensions, as well as its context in the surrounding area. The air photo shows the variety of housing forms that already exist in this area of Rutland.



Housing Needs:

RM3 zoning provides a variety of housing types that are suited to this property. The highest and best use for the property is multiple-unit housing. The City has the option of selling the land and allowing a developer to pursue options for developing the land as a housing project. However, as the current owner of the property, it is in the City's best interest, as well as that of the community, to pursue other policy direction, aside from achieving development, on this property. We know, through the results of the Housing Study done in 1999/2000, that the City has deficiencies of affordable housing for its lower income populations. Housing statistics, updated on an annual basis in the Housing Resources Handbook, show that there are shortfalls for housing for Kelowna households with income levels at or below the Low Income Cut-Offs (Statistics Canada), that are estimated as follows:

- **3,679** family-oriented units, where families include two parent families with children, single parent families and couples;
- **403<sup>1</sup>** units for low-income seniors
- **1,441** one-person units for non-seniors (temporary housing is not included)

Housing for people on limited income who have physical disabilities, but are not seniors is an example of a need that would be included in the above list, and where there is inadequate housing supply. Many families, including those where both parents are working, do not have sufficient income to afford the housing they live in. The guideline for how much out of gross household income (before taxes) should go to shelter cost (includes rent or mortgage, heat, electricity, property taxes and strata fees) is 30%. Many households are spending more than 50% of their gross income to afford shelter. Details are covered in the Housing Study.

We also define affordable housing in our OCP. It would be highly desirable if the City could locate an interested developer, builder or non-profit society, or combination of these parties to generate some affordable housing as part of a development project for the site.

Community Services:

Based on the research that was done as part of the Community Indicators Report, approved by Council in December 1999, this area of the City exhibits significant socio-economic difficulties, when compared to the City as a whole and to other parts of the City. The Community Indicators Report used 1996 Census information, crime statistics, and inventoried certain community services to determine which areas of the City were experiencing difficulties and what community resources were available to address community needs. This information is in the process of being updated, using the results of the latest Census. Urban centres typically exhibited more socio-economic hardship, but better availability of community services than other areas of the City. The property in question falls in the centre of census tract 7, representing the west part of central Rutland. Census tract 7 showed: lower education levels; below average participation in the labour force; high unemployment rates; a high incidence of low income families; also a high incidence of low income for non-family households; and generally very low income levels, compared to other parts of the City and to the City average. This was based on the 1996 Census. Complete data from the 2001 Census is not yet available to determine if there has been any change. In terms of community services, census tract 7 also showed a lack of services for youth in 1999. This may have changed with the improvements to Ben Lee Park. Generally speaking, activities for youth are more available to urban centre areas of the City than to outlying neighbourhoods. The Springfield Rd. area west of Ziprick, for example, is within easy commuting distance from this area of the City and features many youth and other community services. Working with non-profit agencies that provide services to low-income families and individuals, there is a general recognition that Rutland lacks access to community services. Therefore, staff

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<sup>1</sup> Based on assigning half of the publicly funded units to 2 person households, assuming some elderly will be able to share.

views an opportunity for a community service to be provided as a part of a housing project on the 260 Franklyn Road Property.

City staff has been approached on numerous occasions by an individual who is interested in this site for the purpose of establishing a Christian-based youth centre. For what he proposes, he is interested in a building of about 5,000 sq. ft. (464.5 m<sup>2</sup>). While it is not appropriate for the City to enter into an agreement with one interested party, without offering the same opportunity to other interested parties in the community, a building that could include a community facility of this size is a viable use for the property. Due to the value and location of the site, however, staff would envision that the facility would form part of a residential development of the property.

#### Zoning Issue:

The site would have the best potential for housing if it were rezoned to RM3, as noted previously. However, the RM3 zone does not have provision for community space or services to form part of a housing development. In a separate report it is recommended that "community recreation services" be added as a permitted secondary use in the higher density residential zones, including the RM3 zone. The definition of community recreation services addresses the intent of allowing a community facility, possibly a youth centre at 260 Franklyn Rd.

**COMMUNITY RECREATION SERVICES** means **development** for recreation, social or multi-purpose **use** primarily intended for local community purposes. Typical **uses** include but are not limited to community halls, non-profit social clubs, and community centres operated by a local residents association.

#### Development Potential:

A rough estimate of the development potential of the site, based on the RM3 zone indicates that it could allow up to 48 residential units. Should the community service component be included as part of the final plans, this would reduce the number of units by about 5, to 43 units. The need for affordable housing in Kelowna is acute, as indicated above. However, a "healthy communities" approach to housing suggests that it would be undesirable to develop an entire property or building for lower-income housing. Similar to the model that has been followed by BC Housing in its delivery of rental housing in the past, housing projects featuring a mix of market housing with lower income housing are more desirable. In such complexes, it should not be evident which units are lower income and which are not.

#### Minimum Requirement for Affordable Housing:

Some municipalities, such as Vancouver, have a percentage of housing units that must be affordable when affordable housing is a component of a development. Twenty percent (20%) is the figure Vancouver uses. In Vancouver, the 20% provision of non-market housing requirement is paired with the fact that the City buys and manages the non-market units provided in this manner through its Housing Centre. Kelowna's housing policies do not include a recommended proportion of affordable housing, as this was seen to be unrelated to the level of need (described earlier). However, it may be reasonable to require a minimum percentage of the units in a given project to be affordable before the City is willing to offer the opportunity of a land lease or lower land costs to achieve affordable housing. Twenty percent would translate to a maximum of 8 to 10 affordable units to be provided at the 260 Franklyn Rd. property. This does not seem adequate in terms of addressing the need in Kelowna. In Kamloops, one project used a minimum of 30% of the units to be targeted to a needs group (seniors). In the same project, provision of some handicapped accessible units was also required. Kelowna is not deficient in affordable seniors housing to the same extent as it is for family housing and housing for non-seniors with disabilities. Staff is suggesting that a requirement of a minimum of 30% of the units for a project at 260 Franklyn Ave to be affordable, in accordance with the City's definition of affordability. Additionally, a further minimum of 5% of the units (based on a Kamloops example) should be handicapped accessible or adaptable and affordable, in accordance with City definitions.

Percentages will not be made a requirement at the proposal call stage. These figures are being offered as a guideline. Affordability is defined in the City's OCP as follows:

8.1.16 **Affordability Benchmarks.** Affordability benchmarks will be published annually in information bulletins, using accepted methodologies and data from Statistics Canada, BC Statistics and Canada Mortgage and Housing Corporation. They are based on the following criteria:

Rental: Affordable rents will be the average rents for Kelowna from the annual Canada Mortgage and Housing Corporation (CMHC Rental Market Report);

Owner: Ownership affordability is based on the income level at which a household would be capable of entering the ownership market. This is equivalent to the "starter home" price and is derived based on the purchase ability at the median income level for all two or more person households from the most recent Census, assuming 30 % of gross household income expenditure for shelter. The starter home price will be updated annually between Census years using the BC Consumer Price Index (CPI), be published annually by the City and be given for a non-strata-titled home, a strata-titled home and a mobile /manufactured home;

In 2002, the figures corresponding to the City's definitions of affordability were as follows:

**Starter Home Price: 2002**

*Based on the purchase capabilities of a median-income two or more person household in Kelowna, using 1996 Census information, updated using the BC Consumer Price Index – see the definitions of affordable housing in the proposed OCP housing policies.*

- \$138,519 (non-strata titled, single ownership dwelling)
- \$126,798 (strata titled dwelling)
- \$ 94,833 (manufactured home with pad rental, additional)

**Average Rents 2002- All Private Apartments<sup>2</sup>, From Canada Mortgage and Housing Corporation Market Rental Survey- City of Kelowna**

|              | Bachelor | One Bedroom | Two Bedroom | Three Bedroom + | All Units |
|--------------|----------|-------------|-------------|-----------------|-----------|
| Average Rent | \$478    | \$559       | \$680       | \$736           | \$624     |

Land Lease / Other Municipalities:

OCP policy 8.1.20 indicates that a housing reserve fund created by the City (in accordance with 8.1.19), should be used to acquire lands to be leased from the City by non-profit groups or developers to provide housing, as set out in the Housing Reserve Fund By-law (copy attached). The 260 Franklyn Rd. property was not acquired with the Housing Reserve Fund. The approach of leasing land to create affordable housing is supported by this policy, however. This was based on the research conducted of the approach used in other municipalities. In Kamloops, land in specific situations has been leased for a 60-year period to generate affordable housing, with a proportion of the housing targeting a specific housing need, including affordability. Market housing is provided as part of the same project. Vancouver also uses a 60-year lease for non-market or special needs housing. The lease in these situations sets out a "basic rent" determined as a proportion of the market value of the property. In Vancouver, 75% of the land value has been used. In Kamloops, leases for 50%, 75 % and 100% of market value have been used. The "basic rent" is generally paid in full at the completion of the project. In Vancouver, 60 year leases at 75% of market value have been used in projects that are entirely comprised of non-market housing; several have been for housing low income singles both for housing units and shelters. Burnaby has also used a 60-year lease at 75% of market value, but does not see this as a subsidy and therefore did not set up a housing reserve fund. Richmond also uses the 60-year / 75% approach and it has a housing reserve fund, which was helped by a very generous donation

<sup>2</sup> CMHC includes only buildings with 3 or more units in its rental survey.

from a local landowner. Kamloops has approached projects on an individual level. In one situation, the lease is for 99 years. The full market value of the property was to be paid upon the signing of the lease, then amounts from the total were divided such that: a portion went into the housing reserve fund; the largest share went back to the housing provider as a one time, interest free loan to reduce the mortgage requirement and to be paid back at the end of a 25 year mortgage; and, a further amount was to be used to assist in funding a community (seniors) centre, or, alternatively, towards increasing the number of affordable rental units.

**Lease or Sale:**

In the experiences with the Morrison / Richter property, it was found that some agencies are more interested in purchasing land than leasing it from the City. Kelowna's Housing Opportunities By-law 8593 (copy attached), approved in November 2001, was based on the examples of other municipalities that lease land to achieve affordable housing. In order to provide flexibility, it is recommended that the option to sell land, subject to a housing agreement, also be provided by amending the By-law. The proposed amendments are provided in the report recommendation.

**SUMMARY**

The discussion in this report is used to derive a proposal call to develop the land at 260 Franklyn Rd., as outlined in the report recommendation. The site is ideally suited to multiple unit housing. Staff is recommending a component of affordable and special needs housing, as well as inclusion of a community service, as part of this proposal call. In return, a reduction of up to 25% of market value is offered for lease or purchase of the parcel to interested parties. Whether the land is leased or sold, 40% of the revenue is recommended to be invested in the Housing Opportunities Reserve Fund and the remainder be used towards the highest park need priority in the Rutland area.

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Theresa Eichler, MCIP  
Community Planning Manager

Approved for Inclusion

David Shipclark  
Manager, Community Development & Real Estate

Cc: David Graham  
Director of Parks & Leisure Services

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## CITY OF KELOWNA

### BYLAW NO. 8593

#### A Bylaw to Establish a Housing Opportunities Reserve Fund

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The Council of the City of Kelowna hereby enacts as follows:

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#### 1.0 TITLE

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1.1 This bylaw may be cited for all purposes as the "Housing Opportunities Reserve Fund Bylaw No. 8593".

1.2 In this bylaw:

**'Affordable Housing'** means

- (a) in the case of rental housing, that which is available for rent at or below the average rent for Kelowna, as determined annually by the Canada Mortgage and Housing Corporation's "Rental Market Report"; and
- (b) in the case of owner-occupied housing, that which is available for purchase at or below an amount calculated as 30% of the amount which is the median income level for all two or more person households from the most recent national census by Statistics Canada, updated annually using the British Columbia Consumer Price Index;

**'Council'** means the Municipal Council of the City of Kelowna;

**'Official Community Plan'** means the City of Kelowna Official Community Plan Bylaw No. 7600 as amended or replaced from time to time;

**'Reserve Fund'** means the Housing Opportunities Reserve Fund as established by this bylaw; and

**'Special Needs Housing'** means "Special Needs Housing" as defined by the City of Kelowna Zoning Bylaw No. 8000 as amended or replaced from time to time.

#### 2.0 ESTABLISHMENT

2.1 There is hereby established a Housing Opportunities Reserve Fund pursuant to Section 499 of the *Local Government Act*.

#### 3.0 SOURCES FOR RESERVE FUND

3.1 Money from amounts:

- (a) raised from property taxes;
- (b) donated to the City for the purpose of the **Reserve Fund**;
- (c) transferred from the sale of City-owned land;



(d) received as a percentage, as described in section 4.3 below, from the sale of market rate housing developed pursuant to an applicable public/private partnership; or

(e) as otherwise provided for in the *Local Government Act*,

may from time to time be paid into the **Reserve Fund** as approved by **Council**.

#### **4.0 USE OF RESERVE MONIES**

4.1 Monies in the **Reserve Fund**, including any interest earned, shall only be used to acquire lands which are to be leased from the City by non-profit groups or developers to provide housing by means of public/private partnership agreements, subject to those lands being acquired:

(a) within, or in close proximity, to an Urban Town Centre as defined in the **Official Community Plan**; and

(b) within multiple housing future land use designations as defined in the **Official Community Plan** or within mixed residential commercial future land use designations, or commercial future land use designations which allow a housing component.

4.2 Any land, or a portion thereof, acquired with the **Reserve Fund** shall be used, pursuant to the public/private partnership agreements noted in subsection 4.1, for the development of **special needs housing** or **affordable housing** (whether for purchase or rent), the availability of which shall be limited to households identified by the City as requiring such housing, including, but not necessarily limited to:

(a) persons or families with or without children who lack safe and secure housing, are fleeing an abusive home, are homeless or at risk of homelessness, or are suffering from a mental or physical disability, chronic disabling illness or dependency; and

(b) lower income households who are:

(i) at or below the Core Need Income Threshold, as determined by the Canada Mortgage and Housing Corporation, and used by the British Columbia Housing Management Commission for Kelowna; or

(ii) at or below the low income cut-off level defined by Statistics Canada for urban areas equivalent to the population of Kelowna, based on household size; or

(iii) receiving British Columbia income assistance for Welfare to Work or Disability Benefits, or qualify for Targeted Rent Subsidy Programs operated by British Columbia Housing.

4.3 The remainder, if any, of any land acquired with the **Reserve Fund** may be used for housing to be sold at market rates, and the City shall receive a percentage, to be determined in the applicable public/private partnership agreement, of the equity from the sale of that housing, which shall be returned to the **Reserve Fund**.

Report to: City Manager  
Re: 260 Franklyn Rd.

July 14, 2003  
Page 10 of 10

Read a first, second and third time by the Municipal Council this 17<sup>th</sup> day of September, 2001.

Adopted by the Municipal Council of the City of Kelowna this 5<sup>th</sup> day of November, 2001.

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Mayor

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City Clerk

*I hereby certify this to be a true copy of Bylaw No. 8593 as adopted by the Municipal Council of the City of Kelowna on the 5<sup>th</sup> day of November, 2001.*

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*Clerk of the Municipal Council of the City of Kelowna*