

City of West Kelowna Community Context

As a recently incorporated city (2007) West Kelowna has experienced considerable growth within the past decade which has placed significant pressure on the need to increase the supply of housing. West Kelowna is part of the Kelowna CMA, the fastest growing CMA in Canada as per the 2021 Census. According to the Canadian Census, the population of West Kelowna in 2021 was 36,078, which represents an increase of just over 10% from the 2016 Statistics Canada Census population of 32,655, and 32.3% from the 2008 population of 27,261. It is estimated that the population of West Kelowna will grow an average of 1.5% every year until 2050.

A large proportion of new rental housing in the City of West Kelowna needs to be affordable rental. Approximately 45% of rental households are in core housing need based on 2016 income (adjusted for inflation for rental households to 2022 and 2021 average rents). According to the Rental Housing Index (2021), renter households earning up to \$41,600 a year spend about 39% of their income on rent and utilities. The vacancy rates in the Kelowna CMA in 2022 was 0.7 percent.

Despite a recent building boom of purpose-built rentals rents are increasing and vacancy rates are low. The backlog of supply and demand for rentals is compounding as homeownership is becoming unattainable for many. Additional funding to support the development of a rental use zoning policy would increase the City's limited supply of purpose-built rental housing and would support the City in providing financial incentives for the construction of priority housing types. Further, integrating elements of inclusionary zoning, density bonusing, and rental protection policies to the rental use zoning policy would ensure that those lots remain rental over the long term.

Between 2021 and 2040, West Kelowna is projected to experience demand for approximately 5,383 additional dwelling units, or 299 new units per year. In 2021, there were 2,902 residential units in various stages of development in West Kelowna; accordingly, to meet projected demand at least 2,481 additional units should be provided. Undertaking an accessory dwelling unit initiative and pre-zoning to increase allowable density and to focus development within the identified Centres would aid the City in managing the cost of development and satisfy the need for future population growth.

The City's aging population (55 and up) which makes up about 39% of the population currently. In consideration of the unique housing needs and interests of the community, the missing middle plex-readiness initiative and will be critical to filling the gap in demand for ground-oriented missing middle housing options demand from priority populations including seniors on fixed incomes.

5-year vs. 10-year Projection Justification

To make quantitative projections of future long-term housing unit construction, 10-year building permit averages were used. A 10-year average provides a more accurate depiction of unit construction trends given the impact of recent events in the housing and development industry. Municipalities' future capacity to achieve their unit projections must take these events into consideration.

COVID-19 Pandemic

During COVID-19 pandemic, developers demonstrated a growing interest in purpose-built rental apartment construction. A variety of factors drove this shift toward purpose-built rentals including readily available financing for rental projects backed by government incentives—despite the rising interest rate environment, and an increasingly attractive rental development market due in part by rising migration and homeownership being increasingly unattainable. While housing starts were strong during the pandemic, the number of newly completed units since has dropped significantly. It should be expected that the significant housing boom experienced during COVID-19 could likely not follow into the future.

Rising Costs of Development

Rising costs of development and operations including rising interest rates and construction costs alongside increases in capitalization rates have impacted the feasibility of projects. Such increasing costs have made it extremely challenging to get affordable and rental projects off the ground. Rising interest rates pose further risks to housing construction and municipalities have yet to see the full impact of the increases on construction starts. A clear indication of potential slowdown in future starts is the growing number of projects that are paused in the development process. Municipalities have reported that proponents of approved projects choose to delay proceeding to the final steps of permitting (DCCs) to time the market due to higher financing costs to ensure project viability. This slowdown in the development process poses risk to unit construction.

Reporting Gaps

A lack of accurate and complete data reporting also introduces risk to using a 5-year period to project future unit construction. Additionally, for smaller communities who may experience one or two large housing projects within a given year, a short timeframe may introduce bias into future unit projections.

Building Supplies and Labour

Other risks to meeting unit projections include new construction being restrained by shortages of building supplies and labour, which is expected to continue until the second half of 2023.

Links to Statement of Financial Information

[2022 Year EndFS.cvw \(westkelownacity.ca\)](#)