



## COUNCIL REPORT

To: Mayor and Council

Date: October 21, 2025

From: Ron Bowles, Chief Administrative Officer

File No: P 24-14

Subject: **Housing Accelerator Fund- Incentives Program and As-of-Right Zoning for Priority Housing**

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### SUMMARY

*This report presents a comprehensive analysis of a suite of policy options that can incentivize and expedite priority housing projects in the City of West Kelowna. These are presented as implementation components for some of the Housing Accelerator Fund initiatives. This includes both financial incentive programs for priority housing types as well as a proposed framework to enable as-of-right zoning for non-market housing in Official Community Plan designated urban centres. In the following report, staff include decision points for Council consideration, as well as a recommendation for As-of-Right Zoning for Non-Market Housing.*

### STRATEGIC AREA(S) OF FOCUS

**Invest in Infrastructure** – We will invest in building, improving and maintaining infrastructure to meet the needs of, and to provide a high quality of life for, current and future generations.

**Foster Safety and Well-Being** – We will pursue through direct action, advocacy, and collaboration with local and regional service providers, investments in community health, needs-based housing, emergency preparedness, policing, and other services that foster safety and well-being in West Kelowna.

### BACKGROUND

This report updates Council on the Housing Accelerator Fund (HAF) 'Initiative 1 – Rental Use Zoning', and 'Initiative 2 – Incentives Program for Priority Housing' by introducing and describing a series of possible policy approaches. This report introduces these options as information.

The options presented in this report are intended to fulfill commitments under the City's agreement with the Canada Mortgage and Housing Corporation (CMHC) to:

- a) *Develop an incentives program (e.g. DCC reductions, exemptions to Fees and Charges Bylaw, fast-tracked development approvals, grants and/or forgivable loans) to:*
  - *promote construction of accessory dwelling units, suites and other missing middle housing types;*
  - *encourage development of vacant, underdeveloped or idle land;*
  - *enable the conversion of vacant or underused non-residential buildings to housing; and*
  - *promote innovation through incentives for pre-fabricated, modular housing and mass timber construction*
- b) *Consider reducing or waiving application and/or permit fees for priority housing types including non-market housing and/or purpose-built rentals.*
- c) *Strengthen policy and incent licensing of illegal suites to bring them into conformance with City regulations.*
- d) *Incentivize market and non-market rentals through rental use zoning policy for developments with purpose-built rental buildings within urban centre zones;*
- e) *Increase as of right density permissions for affordable housing;*
- f) *Consider rental-only zoning and implement inclusionary zoning to require a minimum number of affordable units in new developments near transit.*

Implementing all of the options presented is not mandatory to fulfill CMHC funding requirements. However, implementation of some aspects of the outlined incentives will be necessary to meet minimum funding requirements. Analysis has been completed on a range of incentives in order to put forward a possible framework that would maximize impact in its entirety, and provide enough options that Council would be able to implement partially, and still positively impact new housing construction.

To inform the work on these initiatives, staff, and planning consultant, Urban Systems, combined best practice research with new technical analysis and engagement with the development industry and non-profit housing providers. This engagement included a workshop with the Urban Development Institute (UDI) and one-on-one interviews with local non-profit housing providers.

This report provides an executive summary. Detailed analysis and supporting materials are included in the following attachments:

- *Attachment 1- Urban Systems Priority Housing Financial Incentives Technical Memo*
- *Attachment 2 – Engagement Feedback Summary*
- *Attachment 3 – Proposed As-of-Right Zoning Background Analysis: Background information and insights from technical research*

- *Attachment 4 – Proposed As-of-Right Zoning for Non-Market Housing in Urban Centres:* Detailed framework, permissions, exemptions, and rationale for the proposed zoning amendments.

All HAF initiatives have connection, and in some cases overlap - and as such, some components/implementation measures will bridge multiple initiatives. Initiative 1 and Initiative 2 for example, are closely linked; however, the following sections outline each of the initiatives, and associated program options separately. These following sections are executive summaries, and therefore it is recommended to refer to the attachments for more detailed analysis and information.

## **DISCUSSION**

### **HAF Initiative 2- Incentives for Priority Housing**

The development of a suggested incentives program focused specifically on priority housing types. The City of West Kelowna Housing Strategy identifies priority housing types including purpose built and non-market rental housing, smaller and family-sized housing, housing for seniors, as well as emergency shelter and complex care housing. For this assessment, priority housing types were grouped into the following typologies: non-market rental housing, purpose-built market rental housing, missing middle (infill) housing, and accessory dwelling units (ADUs).

The potential incentives include measures that would create a financial benefit to development projects, both direct and indirect. Direct financial benefit includes measures to reduce development costs (through for example fee waivers or grants) that have a financial impact to the City, whereas indirect measures are policies and new processes that provide a financial benefit to development but carry no direct cost to the City (such as reduced timelines). The incentives which were explored are:

- concurrent development application processing (i.e. rezoning and development permit),
- development cost charge (DCC) reductions and/or waivers,
- land contribution,
- permit fee reductions and waivers,
- pre-zoning/as-of-right zoning,
- revitalization or permissive tax exemption (RTE/PTE), and
- and grant programs.

See Attachment 1 for an overview of the incentive options, and associated financial analysis, anticipated financial and associated viability impact, financial considerations for the municipality, and implementation considerations. Attachment 1 also includes a set of summary appendices to compare various initiatives.

## **HAF Initiative 2- Key Findings**

For non-market rental, and purpose built market rental housing in an apartment form, the key findings of the analysis are:

- Waiving land costs offered the most substantial impact, reducing both upfront development expenses and the amount of equity required, thereby lowering the overall cost of equity;
- Streamlining approval processes through pre-zoning and shortened timelines reduces the cost of borrowing, as faster approvals reduce holding costs, the time capital is locked up without revenues, and decrease risk (which may result in better lending parameters and lower demands for interest returns from equity providers);
- The RTE, which can exempt property owners from municipal property taxes for up to 10 years, can reduce operating costs, thereby supporting long-term sustainability; and
- A best practice is to stack incentives, combining them to maximize their collective impact.

For missing middle (infill) housing, and ADUs, the key findings of the analysis are:

- Financial analysis results suggests this type of housing is not currently financially attractive for developers to pursue and various direct financial incentives would not be sufficiently impactful to move the dial on project viability; and
- Given the unlikely financial scenario of small-scale infill housing in the near future, the City may be best positioned to establish a permissive policy structure for this type of housing in preparation for a time when market viability improves. A separate HAF initiative (#3) is addressing these items.

## **HAF Initiative 2- Proposed Options**

Based on analysis and engagement (see Attachment 1 and 2), in line with the Housing Accelerator Fund workplan and requirements, Urban Systems and staff have developed a suite of options for a comprehensive incentive program.

The intent of this proposed program is to reduce the upfront and operating costs for priority housing, thereby increasing project viability and incentivizing new development in the City of West Kelowna.

Table 1 provides a brief summary of how different incentives can be assembled together to target specific housing typologies. Columns across the top, noted as “Housing Typology” demonstrate how the different incentives, labeled in the left column, can be combined together. The far right two columns indicate what Bylaws amendments or policy changes are necessary. “Financial Impact” indicates whether the incentive requires monies from HAF or from other municipal sources to proceed. A detailed description of all of these incentives, as well as comparative impacts and costs, is contained in Attachment 1.

Table 1: Proposed Incentive Program for Priority Housing

Potential Incentive	Housing Typology				Required Bylaw Amendments or Policy Change	Financial Impact & Requires Decision on Funding
	Non-Market Rental Housing	Purpose-Built Market Rental Housing	Missing Middle (Infill) Housing	Accessory dwelling units (ADUs)*		
Expedited Permit Approval	X				Development Application Procedures Bylaw No. 0260	
As-of-Right Zoning	X**	**	**	**	Zoning Bylaw No. 0265, 2022	
Building/Development Permit Fee Waiver	X			X	Fees & Charges Bylaw No. 0028, 2009	X
DCC Waiver	X (100%)	X (50%)		X (100%)	Development Cost Charges Bylaw No. 190, 2022	X
Grants	***	***	***	X	[No existing policy] [NEW] Policy	X
Permissive Tax Exemption	X				Permissive Tax Exemption Policy Bylaw No. 322, 2024	X
10 Year Revitalization Tax Exemption		X			[NEW] Revitalization Tax Exemption Bylaw	X

\* Financial Incentives aimed at secondary suites only.

\*\* Expansion of as-of-right Zoning through additional areas of the City being explored through other HAF initiatives

\*\*\* Grant programs to cover DCC costs could be an alternative to DCC Waivers

**HAF Initiative 2- Decision Point:** Staff are seeking direction from Council on which incentives to explore further, including potential financial implications, and program parameters. Staff will bring back a draft incentives program for Council decision, prior to preparing associated bylaw and/or policy amendments. Note that financial incentives can be funded through the HAF funding.

**HAF Initiative 1- Rental Use Zoning**

This initiative advances zoning and policy tools to support and accelerate the development of new rental housing within West Kelowna’s urban centres. The work involves a comprehensive review of mechanisms that can incentivize long-term rental housing, enhance project viability, and streamline approvals. Specifically, the analysis examines:

- Residential Rental Tenure Zoning (RRTZ) – zoning that restricts designated buildings or sites to residential rental tenure only;
- Inclusionary Zoning – requiring new developments to include a share of below-market or affordable rental units, secured through housing agreements;
- Re-zoning to a Rental-Only Zone – applying a zoning designation where all residential units must remain rental in perpetuity; and
- As-of-Right Zoning – embedding permissions that allow qualifying rental projects to proceed directly to a development permit without the need for a rezoning.

These tools formed the basis of staff’s technical analysis and engagement work. The following section summarizes the key findings from that review, highlighting which approaches are most effective and feasible for West Kelowna’s housing context.

See Attachment 2, 3, and 4 for detailed background information, technical analysis, and the proposed as-of-right zoning framework.

### **HAF Initiative 1- Key Findings**

Staff analysis and engagement feedback find:

- **Rental-Only Zoning Not Needed:** Through the City’s newly adopted *Rental Protection and Tenant Relocation Assistance Policy* a purpose built rental building that seeks redevelopment is required to provide one-for-one rental unit replacement, and secure rental tenure through a housing agreement. This tool secures the same outcomes that a Rental-Only Zone would aim to achieve. Housing agreements are a more flexible and effective tool than rigid rental-only zoning because they can be tailored to project-specific conditions, ensure long-term affordability, and align with funding requirements from senior governments. This approach is strongly supported by both the development industry and non-profit housing providers.
- **Inclusionary Zoning Not Feasible:** Financial testing demonstrated that under current market conditions, requiring mandatory below-market rental units would make both rental and strata projects financially unviable, unless accompanied by substantial offsets. Accordingly, staff recommend that mandatory inclusionary zoning not be pursued at this time. Should market conditions change, the City could revisit the tool with updated pro forma testing.
- **Bundle of Zoning Incentives Required For Fast Delivery of Non-Market Housing:** West Kelowna has one of the lowest supplies of non-market housing in the Interior, with only 1.26% of households in subsidized rental housing compared to 3.5% in Kelowna (Census 2021). This limited supply leaves many households in core need without adequate options. Experience across B.C. and feedback from industry engagement show that no single policy lever—such as density bonusing—can make non-market housing viable. Projects face thin financial margins and are heavily impacted by high land and construction costs, parking requirements, and layered approvals. A bundle of incentives—including as-of-right zoning, parking

flexibility, and expedited approvals—is needed to improve feasibility and accelerate non-market housing delivery.

### **HAF Initiative 1- Proposed Framework for As-Of-Right Zoning For Non-Market Housing**

To address the identified gaps, and the hierarchy of priority housing referenced in Appendix 1, staff recommend establishing an as-of-right zoning framework for non-market housing within the Westbank and Boucherie Urban Centres. Noting that the proposed framework is focused on a specific tenure, locations, and maximum building height; however, staff could also explore adapting these parameters. For example to also enable as-of-right zoning for secured market rental, and/or secured market rental with a portion of below-market rental housing.

The proposed framework introduces targeted zoning permissions for non-market housing, and provides clear development rights consistent with the land use designations within the Official Community Plan. The framework would also establish clear, predictable development rights while maintaining strong oversight through the Development Permit process to ensure design quality, safety, and compliance with the City's Official Community Plan (OCP).

Staff have developed a proposed definition of Non-Market Housing (see below), for inclusion in the Zoning Bylaw to provide clarity and consistency.

Non-Market Housing is purpose-built rental housing that:

- a) is secured through a Housing Agreement registered on title for a minimum of 60 years or the life of the building, whichever is longer;
- b) includes at least 30% of the dwelling units who are occupied by households with incomes at or below the current Housing Income Limits (HILs) published by BC Housing (or equivalent), with rents not exceeding 30% of gross household income; and
- c) is owned by a not-for-profit organization, the City of West Kelowna, the Government of British Columbia, or the Government of Canada.

Full details of the framework, including specific regulations to be amended and the complete list of targeted exemptions, are provided in *Attachment 4 – Proposed As-of-Right Zoning for Non-Market Housing in Urban Centres*. Key Features of the Framework:

- **As-of-Right Non-Market Housing Use:** Non-market housing permitted as-of-right within Urban Centre OCP designations where residential uses are already a principal use of the zone, forgoing the need for rezoning. This streamlines approvals and provides greater certainty for non-profit housing providers. The as-of-right zoning framework would apply in the following OCP designations: Westbank Urban Centre – Mixed-Use Corridor (Area A), Westbank Urban Centre – Commercial Core (Area B), Westbank Urban Centre – Residential Shoulders (Area C), and the Boucherie Urban Centre.

- **Maximum 6-Storey As-of-Right Building Height:** Projects up to six storeys permitted as-of-right, reflecting both OCP policy and current fire suppression capacity.
- **Targeted Exemptions from Zoning Regulations:** Removal of select zoning requirements that may create barriers for not-for-profits, including:
  - Podium setbacks (≤ six storeys)
  - Mandatory commercial/institutional mixed uses and street frontages
  - FAR (density) limits, with density regulated by building height.
- **Parking: Two options presented for Council’s consideration:**
  - **Option 1: Removal of minimum residential parking requirements (Staff Recommendation):** Parking set on a case-by-case basis informed by operator needs and Transportation Impact Assessments.
  - **Option 2: Reduced minimums based on the City’s Parking Management Study, as outlined in Table 2 below, including:**
    - **A.)** Council may choose either “Transitional Period”, or
    - **B.)** “Fully Realized OCP Vision” parking rates.

*Table 2.Suggested Parking Standards (Table 12 – Parking Management Study)*

Unit Type	Current Requirement	Transitional Period	Fully Realized OCP Vision
Studio/Micro	1.0 per unit	0.8 per unit	0.5 per unit
1 Bedroom	1.0 per unit	0.9 per unit	0.7 per unit
2 Bedroom	1.25 per unit	1.2 per unit	1.1 per unit
3+ Bedrooms	1.5 per unit	1.3 per unit	1.2 per unit

Please see Attachment 4 for proposed zoning amendment rationale. The proposed framework reflects best practices from Saanich, Victoria, Squamish, New Westminster, Surrey, and Vancouver where as-of-right zoning has been adopted to accelerate affordable housing delivery. Implementing a similar, but tailored approach in West Kelowna will provide predictability, reduce delays, and improve the competitiveness of non-market housing projects for provincial and federal funding.

Ultimately the intent of the proposed as-of-right zoning framework is to reduce the cost of non-market housing development, through reducing fees, streamlining approvals, and providing increased certainty for lenders and senior government.

**HAF Initiative 1- Staff Recommendation:** That Council endorse in principle the proposed As-of-Right Zoning for Non-Market Housing as outlined in this report, and direct staff to prepare the corresponding Zoning Bylaw amendments for Council’s future consideration.

**HAF Initiative 1- Decision Point:** Staff are seeking direction from Council on the preferred direction for parking requirements for Non-Market Housing in Westbank Urban Centre, and Boucherie Urban Centre, as outlined in this report.

**FINANCIAL IMPLICATIONS**

Each of the proposed incentives for priority housing have a different potential financial impact, informed by several factors and choices for how to implement the program. For example, program/policy costs may be replaced through HAF funds, or come from other municipal funding sources. There could also be a cap on the associated fund per program, and/or there can be a time-limit on how long the program will be offered. Staff are seeking Council’s sentiment towards the financial incentives, and intent to proceed with exploring. Following direction, staff can prepare further draft program details such as funding source and amount, program length, etc., recognizing broader and longer-term financial impact outside of the available HAF funding, and the associated long-term impact of certain incentives that are available over a longer term. Ultimately the focus will be ensuring that incentives included in the program are as effective and meaningful as possible- translating into the increased delivery of priority housing.

For the as-of-right zoning framework, there are no direct financial costs to the City associated with endorsing the proposed framework.

Implementation of both the incentives program, as well as as-of-right zoning will involve staff time for preparing Bylaw amendments, and program implementation and communication materials.

The allocations towards specific incentives will be determined at a later meeting.

**COUNCIL REPORT / RESOLUTION HISTORY**

Date	Report Topic / Resolution	Resolution No.
August 26, 2025	<b>THAT</b> the staff report titled "Housing Accelerator Fund - Program Update", dated August 26, 2025, be received for information.	<b>C194/25</b>
<b>CARRIED UNANIMOUSLY</b>		
August 27, 2024	<b>THAT</b> Council support the submission of a Housing Accelerator Fund Action Plan that includes the proposed initiatives, generally outlined as follows along with all additional required documentation to the Canada Mortgage and Housing Corporation as the City’s application under the second round of the Housing Accelerator Fund Program: Proposed Housing Accelerator Fund Initiatives:	<b>C222/24</b>
<ol style="list-style-type: none"> <li>1. Additional Dwelling Unit Strategy – Gentle Density Infill;</li> </ol>		

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2. Zoning Bylaw Update and Density Bonusing Program;
  3. Pre-approved Building Plans and Design Guidelines;
  4. Rental Use Zoning and Policy;
  5. Incentives Program for Non-market Affordable, Missing Middle, and Priority Housing;
  6. Housing & Community Amenity Development Leveraging of City-Owned Land; and,
  7. Development Approvals Procedures Streamlining.

**CARRIED UNANIMOUSLY**

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PowerPoint: Yes  No

Attachments:

- Attachment 1 – Urban Systems Priority Housing Financial Incentives Technical Memo
- Attachment 2 – Engagement Feedback Summary
- Attachment 3 – Proposed As-of-Right Zoning Background Analysis
- Attachment 4 – Proposed As-of-Right Zoning for Non-Market Housing