

MEMORANDUM

DATE October 7, 2025 FROM Daniel Sturgeon, Community Consultant
TO Angele Clarke, Long Range Planning Manager FILE 2849.0084.01
CC Alexandra Labuda, Community Planner SUBJECT Priority Housing Financial Incentives Summary Memo
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1.0 INTRODUCTION

In August 2023, the City of West Kelowna applied to the Canada Mortgage and Housing Corporation (CMHC) for funding through the Housing Accelerator Fund (HAF). As part of this application, the City proposed the development of a program that provides targeted incentives to support the creation of priority housing types.

Priority housing is defined as housing that provides urgent access to safe and affordable housing for individuals and families with an immediate and significant housing need such as single parent households, seniors on fixed incomes, youth and young adults, and low income households. The City of West Kelowna Housing Strategy identifies several 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.

The Project Team undertook a series of analyses to understand the impact of targeted incentives to support the development of priority housing types. A summary of the viability analysis is included in **Appendix A**. Priority housing types which were assessed as part of this analysis are listed and defined below:

- **Non-market rental housing:** Rental housing that is owned and operated by community-based, non-profit organizations, housing co-operatives, or government agencies. Rents are typically set below the standard market rate, making them accessible to low- and moderate-income individuals and families who cannot afford private market rentals. Most non-profit housing organizations receive some form of financial assistance from government to enable them to offer affordable rents.
- **Purpose-built market rental housing:** Rental housing this is owned by a private individual or company that is rented to tenants who pay market rates. Purpose-built market rental housing includes apartment or townhouse buildings that are typically not stratified, held under single ownership, and provided as long-term rentals, on a monthly basis at market driven rents.
- **Missing middle (Infill) housing:** A spectrum of multi-unit housing types that bridge the gap between low-rise, primarily single-detached homes and mid-rise apartment buildings. Often referred to as "infill housing," these forms are typically ground-oriented, with each unit having its own at-grade exterior entrance, and are designed to blend with the existing character of established neighbourhoods. Missing middle housing includes options such as duplexes, triplexes, fourplexes, townhomes, courtyard housing, and stacked townhouses—providing diverse, attainable, and family-friendly housing choices within existing residential areas.
- **Accessory dwelling units (ADUs):** Refers to all forms of additional units on residential properties, and may be either attached (internal) to the primary residence or detached (external) from the primary residence. ADUs include secondary suites, on-lot tiny homes, garden suites, laneway/garage units, and any other dwelling unit type that can be placed in or adjacent to an existing or new dwelling unit on the same lot. These are not stratified and are rented by the property owner to tenants.

The City of West Kelowna and the Canada Mortgage and Housing Corporation (CMHC) have agreed to a Housing Supply Growth target of 1,343 housing units by 2027, including: 814 missing middle units, and 330 other multi-units; an additional 97 affordable housing units as a subset within the overall targets. Potential incentives to

support the development of priority housing types under this initiative are discussed below, organized by housing typology.

2.0 APARTMENTS – POTENTIAL FINANCIAL INCENTIVES

2.1 OVERVIEW

Increasing the supply of apartment housing will be essential to meeting the Housing Supply Growth Target. Apartments also play a critical role in addressing the City of West Kelowna's housing needs, particularly in the delivery of both market and non-market purpose-built market rental units.

Market vs. Non-Market Housing

Market apartment developments are typically built and operated by private developers, with rental rates determined by market demand. In contrast, non-market apartment housing is developed and managed by non-profit organizations or cooperatives, with rent levels set below market rates to serve individuals and families who cannot otherwise afford market rental options. This distinction is critical when assessing the impact and value of incentives. While both market and non-market apartments benefit from streamlined processes and financial incentives, stacking multiple incentives (e.g., land contributions combined with DCC waivers and tax exemptions) is often essential to making non-market projects viable.

Stacking Incentives

Incentive tools, as outlined in Section 2.2 below, are supported under existing provincial legislation and align with best practices seen in other B.C. municipalities. When combined towards one project, or "stacked," these incentives can significantly improve the financial viability of a project, making previously unfeasible housing developments possible. The combination of clear eligibility criteria and predictable application processes will be key to ensuring that the incentives are used effectively to generate long-term, community-aligned housing outcomes.

Direct vs. Indirect Financial Incentives

Incentives to support housing development can generally be categorized as either direct or indirect. Direct incentives involve the City providing financial assistance to reduce the cost of development. This may include grants, subsidies, or other funding programs. The benefit is immediate and tangible and can play a critical role in closing funding gaps, particularly for non-market housing projects.

In contrast, indirect support involves the City making policy or process changes that help applicants by saving time, reducing risk, or lowering costs, without giving money directly. Such incentives could include streamlining permitting processes, providing as-of-right zoning, or offering tax incentives. These incentives often have broader, long-term benefits, particularly for market and missing middle housing types.

Limited vs. Ongoing Incentives

Priority housing incentives offered by the City can also be distinguished by the duration and scope of commitment. Limited incentives can be enabled through the HAF and play a catalytic role by encouraging new development activity and piloting new policy tools. However, the short-term nature of limited incentives may limit their uptake and cause their effects to be temporary. Developing a limited incentive program also requires rapid deployment and monitoring which may put strain on staff resources.

Ongoing incentives can be imbedded into the City's regulatory, financial, or policy frameworks. Incentives might include long-term tax exemptions, or standing building/development/DCC waivers for priority housing types. Ongoing incentives offer more predictability and support sustained investment in priority housing over time.

Further analysis is needed to determine how to best allocate the City's HAF funding, whether to support limited programs or to help establish ongoing incentives structures. Forthcoming discussions on allocation of HAF funding should consider the scale, impact, and feasibility of the various incentive options presented, and will inform decisions about how long potential incentives will be in place or whether they can be transitioned into permanent policy tools.

2.2 POTENTIAL FINANCIAL INCENTIVES

Several potential financial incentives for apartment housing are outlined below, including details on legislative authority where applicable. Note that only incentives which were financially modelled (discussed in the following section) are described.

Concurrent Processing

Concurrent processing of development applications refers to processing different but related applications and permits, such as a Development Permit and a Zoning Bylaw Amendment Application, or Development Permit and Building Permit, at the same time. Concurrent processing can be more efficient than processing applications consecutively (separately), but it requires coordination between different departments and adherence to the City's specific development procedures and bylaws. Concurrent processing can create significant time and cost savings for development projects. The viability analysis modelled a timeline of 6 months from application submission to building permit approval.

Development Cost Charge (DCC) Reductions & Waivers

Development Cost Charges (DCCs) are levied on new developments to fund infrastructure such as water, sewer, roads, drainage, and parks that is required as a result of new growth. They operate on the principle that "growth pays for growth," meaning that new development should cover the cost of the infrastructure it necessitates. Local governments can waive or reduce these charges for certain housing types, including affordable or rental housing, to lower upfront costs and improve project viability.

In British Columbia, this authority is provided under the Local Government Act, Part 14, Division 19. Sections 561 and 563 specifically allow exemptions, waivers, or reductions for not-for-profit rental housing, supportive housing, and for-profit affordable rental housing. Municipalities must adopt a bylaw that specifies eligibility criteria and the extent of the waiver. Recent provincial amendments to the Development Cost Charge and Amenity Cost Charge (Installments) Regulation (July 2025) have also introduced more flexible payment options, including the use of on-demand surety bonds and extended timelines for payment, allowing homebuilders to pay 25% at permit approval and the remaining 75% at occupancy or within four years.

Land Contributions

Land contributions represent one of the most impactful tools available to local governments in supporting the viability of housing projects, as land acquisition costs are one of the biggest barriers to the viability of housing projects. Local governments can contribute land at reduced or no cost to make projects more financially viable. This can include direct land transfers, long-term leases at nominal rates, or other partnerships with non-profits and developers. In British Columbia, the process to dispose of municipal lands is outlined under the Community Charter, Part 3, Division 3.

Permit Fee Reductions & Waivers

In British Columbia, municipalities have the authority under Section 194 of the Community Charter to impose fees for all or part of the service or regulatory scheme of the municipality. New housing developments in the City of West Kelowna are subject to a range of fees and charges, as outlined in the City's Fees and Charges Bylaw No. 0028, 2009 and Development Cost Charge Bylaw No. 190, 2022. Communities can choose to exempt certain types of housing from these to acknowledge the community benefit that is provided. Some of the most common of these reductions, which are explored in this memo, include DCCs, building permit fees, and development permit fees. Although these tools typically have a smaller financial impact compared to other incentives on this list, they can be particularly useful for affordable and supportive housing projects that operate with tighter financial margins. They can also signal municipal support for a project, which is often a key requirement for non-market housing providers seeking senior government funding.

Pre-zoning/As-of-Right Zoning

Pre-zoning aligns zoning regulations with the City's OCP, allowing developments to proceed "as-of-right" without requiring a rezoning application and decision from Council. As a typical rezoning application process can take upwards of a year (or in some cases more), having land 'pre-zoned' reduces approval timelines significantly. This has the impact of reducing borrowing costs (i.e. holding costs including mortgage and interest payments on land loans and property taxes that must still be paid for vacant parcels awaiting development). As of right zoning further reduces overall project risk, especially for smaller-scale and affordable housing projects, which can result in more favourable lending parameters and equity (up-front cash) requirements from project financiers. As-of-right zoning requires an assessment of appropriate locations with considerations such as proximity to growth areas, amenities, transit options, form and character requirements, frontage, and capacity of infrastructure services. While having as-right-zoning is not a direct financial incentive, the positive financial impact of this initiative is significant to the developer; as a result, it is included in this analysis (note that as-of-right zoning is a standalone Housing Accelerator Fund initiative).

Revitalization Tax Exemption (RTE) / Permissive Tax Exemption (PTE)

Revitalization tax exemptions (RTE) and permissive tax exemptions (PTE) are two tools under provincial legislation that allow for relief on property tax obligations to support specific community goals or the development of priority housing. While similar, these two tools differ in purpose, eligibility and application process.

- Permissive tax exemptions exempt eligible properties from taxation for a specified time (usually non-profit or other charitable corporation). PTEs are discretionary and typically granted/reviewed on an annual basis.
- In contrast, RTEs are used to incentivize new private-sector investment in targeted areas or project types. RTE bylaws define the criteria, geographic scope, and terms of the exemption. RTE's allow municipalities to exempt property owners from municipal property taxes for up to 10 years to encourage economic, social, or environmental revitalization, including the development of new rental housing. This tool improves project viability by reducing operating costs during the early years of a project.

In British Columbia, this authority is provided under Section 226 of the Community Charter. Municipalities must adopt a bylaw that outlines program objectives, eligible properties or activities, and the terms of the exemption. While this exemption applies only to municipal and not regional property taxes, it is worth noting that the Province of B.C. also waives the corresponding School Tax for properties that qualify under a municipal revitalization tax exemption program, pursuant to Section 131.01 of the *School Act*. This has the effect of further

increasing the total amount of the tax exemption realized by the land owner by upwards of 40% at no cost to the municipality.

The use of tax exemptions to incent purpose built-rental housing has not seen widespread uptake. However, in nearby City of Kelowna where an RTE program has been in place since 2006, the City has seen over 60 different projects participate in the program, and in recent years the City has developed more rental housing stock than similar size or larger communities in B.C. Feedback from the development community has indicated that an RTE program can provide sufficient financial assistance to tip a potentially unviable project towards viability.

2.3 VIABILITY ANALYSIS IMPACT: COST SAVINGS TO A HOUSING PROJECT

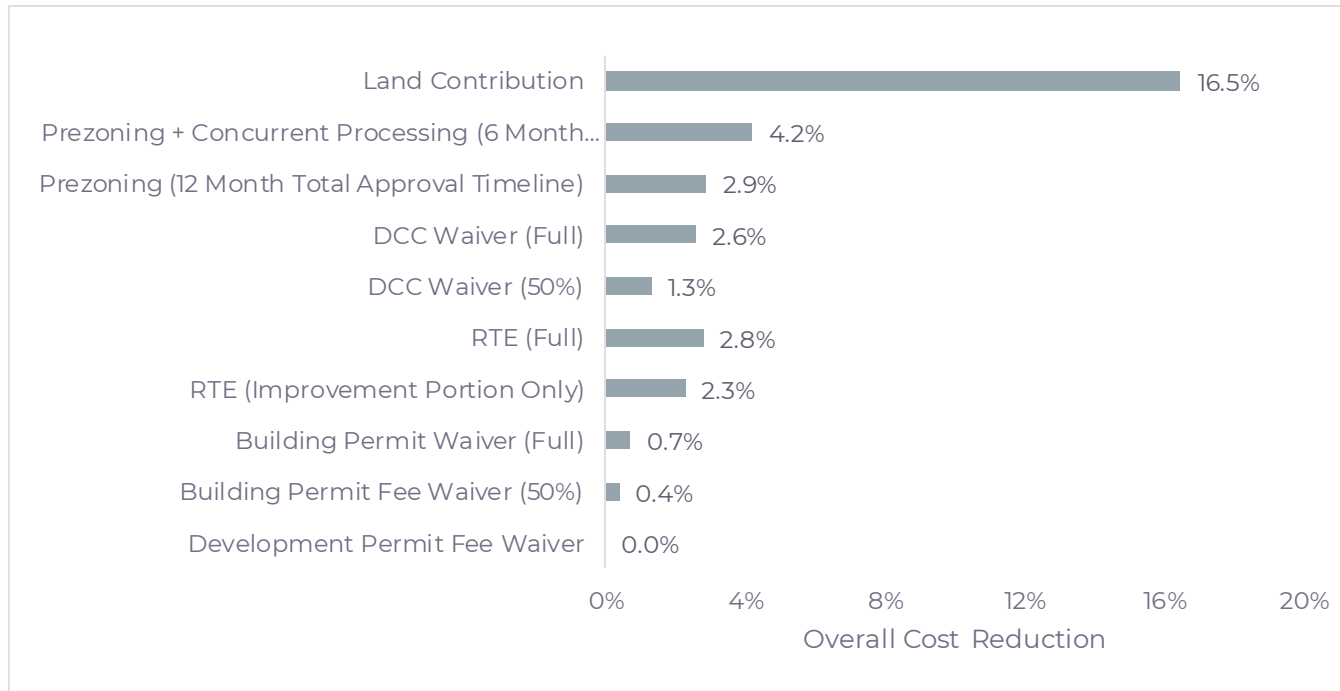
The Project Team explored the impacts of the various financial incentives for the City of West Kelowna by applying these incentives to a hypothetical 65-unit rental apartment development project, using proforma analysis and undertaking a cost benefit analysis of financial impacts utilizing several different financial metrics (including, for example, profit on cost, cost of equity, and internal rate of return). This scenario assumes smaller average unit sizes of approximately 500 square feet and a total project cost of approximately \$22 million, including land. The impacts of each incentive were explored looking at a 10-year operational snapshot. The analysis looked at project cost savings from three perspectives:

- **Cost during planning and development:** Planning and development costs include land, construction, fees, and financing. Higher construction costs reduce project viability.
- **Cost of equity:** Equity costs refer to the returns developers must provide to investors. Longer timelines result in higher costs of equity, which hamper project finances.
- **Costs of operation:** Operational costs include taxes, building operations/maintenance, utilities and mortgage payments. Higher non-mortgage operating costs reduce the ability to service debt. This, in turn, requires developers to put more equity into a project, charge higher rents, or both.

Key Findings from Financial Analysis

Overall, the analysis identifies the significant influence the potential financial incentives can have to reduce project costs (**Figure 1**). 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 as-of-right zoning and shortened timelines reduces the cost of equity by over 50 percent, as faster approvals reduce the time capital is locked up. The RTE can reduce operating costs by approximately 30 percent, supporting long-term sustainability.

Figure 1. Comparing Overall Cost Reductions by Financial Incentive¹



While the analysis showed that each of these tools can be effective on its own, best practice is to stack incentives, combining them to maximize their collective impact. West Kelowna can consider implementing a suite of incentives that support projects through multiple stages of a project: land contributions can help launch projects, implementing as-of-right zoning reduces development timelines, saves cost and lowers project risks, development fee waivers further reduce cost burdens, and property tax exemptions ensure ongoing affordability and operational resilience. For example, by reducing application timelines, waiving DCCs and permit fees, and implementing a 100% tax exemption for 10 years, development costs could be reduced by nearly 10%, before factoring in savings if land contributions were made. Including land, total project cost could be reduced by over 25%.

Depending on the nature of the project and type of housing desired, different combinations of incentives can be stacked together for varying degrees of incentive impact and cost to the municipality. Further examples are provided in **Table 1** below.

¹ % Savings reflects entire project costs of approximately \$26 million plus \$4 million operating costs for 10 years.

In this analysis, as-of-right zoning was anticipated to reduce approval timelines to 12-months. As-of-right Zoning and concurrent processing combined was anticipated to reduce to a 6-month approval timeline.

Note that RTE savings reflect Municipal + School Tax savings calculated on an assumed total (land + improvements) assessed value of \$17,975,000.

Table 1. Cost Impact of Potential Incentive Offerings

	Non-Profit Operated Below-Market Housing Project on Municipal Land	Purpose-Built Market Rental Housing in Preferred/Defined Location(s)	Purpose-Built Market Rental Housing in other locations
Potential Financial Incentives	<ul style="list-style-type: none"> Land Contribution As-of-right zoning and expedited processing 100% DCC Waiver 100% Permit Fee Waivers 100% Permissive Tax Exemption (Land + Improvements) 	<ul style="list-style-type: none"> As-of-right zoning 50% DCC Waiver 50% Permit Fee Waiver 100% Revitalization Tax Exemption (Land + Improvements) for 10 years 	<ul style="list-style-type: none"> As-of-right zoning 50% Revitalization Tax Exemption (Land + Improvements) for 10 years
Total Percentage of Cost Reduction²	26.2%	7.7%	4.3%
Cost Savings (Including Costs of Development, Cost of Equity, and Cost of Operations [10 years])			
Land Cost Savings	\$4,878,000	-	-
Tax Savings	\$834,000	\$834,000	\$417,000
Development Cost Savings³	\$2,237,000	\$1,356,000	\$855,000
Total Savings to Development Project	\$7,958,000	\$2,190,000	\$1,272,000

² Individual percentage reductions in total project cost are shown in Table 1.

³ This includes DCC waivers, building permit fee waivers, development permit fee waivers, as-of-right zoning, and concurrent processing.

2.4 FINANCIAL CONSIDERATIONS: COST TO MUNICIPALITY

Several of the potential incentives described above may involve direct costs to the City of West Kelowna. These costs could be covered through funding received from the HAF program or through alternative sources, including general taxation or other municipal funding mechanisms. **Table 2** below outlines the estimated financial impact of these incentives to the City of West Kelowna.

Table 2. Apartment Development Incentives - Financial Impact (Per Unit and Building)

Estimated Direct Financial Impact of Incentives to City of West Kelowna			
	Per Unit Estimate	Per Building (Assuming 65 Unit Apartment Building) ⁴	HAF Affordable Housing Commitment (97 Units) ⁵
Building Permit Fee Waiver (Full Waiver)	\$3,400	\$221,000	\$329,800
DCC Waiver (Full Waiver)	\$5,474 – \$14,267 ⁶	\$697,775	\$834,593
Development Permit Fee Waiver (Full Waiver)	\$2,809 ⁷	\$2,809	\$2,809
RTE (Full) ⁸	\$12,830	\$834,000	\$1,244,510
Total Potential Cost to Municipality	\$24,513 - \$33,306	\$1,755,584	\$2,41,712

While the potential per-unit fees may seem relatively minor, when aggregated across a hypothetical 65-unit development, they can significantly impact project viability. Waiving these fees can substantially improve a project's feasibility, but the City must also consider the direct financial implications for the municipality. To sustain such waivers, especially once HAF funding ends, the City will need a reliable funding source. It is unlikely that the City has the financial capacity to waive fees for all developments. However, the City can take a strategic approach by targeting fee reductions where they are most needed. Deeply affordable units, which are rarely delivered through market-driven development, offer a unique community benefit but operate on extremely tight financial margins. Prioritizing fee waivers for these projects may strike the right balance, supporting the housing types that need it most while maintaining the City's financial sustainability.

⁴ Assuming nine studios, 38 one-bedroom units, and 18 two-bedroom units. Assuming building efficiency of 80%.

⁵ Assuming 13 studios, 57 one-bedrooms units, and 27 two-bedroom units. Assuming building efficiency of 80%.

⁶ Range represents studio unit size (33m²) to a three-bedroom unit size (85m²), based on BC Housing Design Guidelines and Construction Standards. Calculated using 'Apartment' DCC category of \$165.89/m² floor area based on Schedule 'A' of Bylaw No. 190 (2025 rates).

⁷ Assuming 2026, Urban Centre Fee as per the City of West Kelowna's Fee and Charges Bylaw.

⁸ Includes the full 10 year cost of the tax exemption on both improvements and land. Assumes \$18 million dollar land + improvement value and 2025 municipal mil rate of 2.92142. Note that this amount excludes School Tax.

2.5 INCENTIVE IMPLEMENTATION CONSIDERATIONS

Successful implementation of the incentives will require coordination across multiple departments, updates to municipal bylaws, and alignment with existing planning and development processes. **Table 3** below outlines required bylaw amendments and other implementation considerations.

Table 3. Implementation Considerations & Required Bylaw Amendments

	Required Bylaw/Policy Amendment	Development Approvals Procedures Considerations	Other Considerations
Building Permit Fee Waiver	Amendment to <i>Fees and Charges Bylaw</i> to permit full or partial waivers for eligible projects.	Staff must establish clear internal procedures to identify and verify eligibility at application intake.	Criteria should align with HAF priorities (e.g., non-market rental). Confirm alternative funding source to offset revenue loss.
Concurrent Processing	Amendment to <i>Development Application Procedures Bylaw</i> to establish procedures for concurrent processing.	Coordination required between Planning, Engineering, and Building Departments to process applications concurrently.	Could necessitate additional staff training or resourcing to maintain timelines. May have some impact on processing timelines for other projects.
Development Cost Charge (DCC) Reductions & Waivers	Adoption of a <i>DCC Reduction/Exemption Bylaw</i> under Section 563 the <i>Local Government Act</i> . If DCCs were to be offset with grants (funded by HAF), preparation of a guiding policy would be necessary.	To effectively administer DCC reductions and waivers, the City should track and regularly report on the number of developments that qualify for waivers and reductions over the timeframe of the DCC bylaw. Budgeting is needed to contribute an amount equivalent to the waived or reduced DCCs into DCC reserve funds from property taxes.	City will need to identify those projects that best support the policy objectives set out in the OCPs and other strategic planning documents. Council must define eligible housing types; reductions should not impact ability to fund infrastructure unless alternative funding is secured (e.g., through HAF or reserves). Confirm alternative funding source to offset revenue loss.
Development Permit Fee Waivers	Amendment to <i>Fees and Charges Bylaw</i> to permit full or partial waivers for eligible projects.	Staff must establish clear internal procedures to identify and verify eligibility at application intake.	Criteria should align with HAF priorities (e.g., non-market rental).

			Confirm alternative funding source to offset revenue loss.
Land Contributions	The City has an existing Land Acquisition Policy and Land Disposition Policy, both of which were developed in 2010. Updates are likely required.	<p>Council decision is required for the disposition of Municipal Land, whether through sale or lease or otherwise.</p> <p>Establishing a policy framework on when, how, where, for how long, and for what cost and to whom municipal land would be provided would be necessary to facilitate informed and effective discussions.</p>	Will require Council approval for land transfer/lease; consider long-term affordability of housing units.
As-of-right zoning	<p>Amendment to <i>Zoning Bylaw</i> to pre-zone areas of the City.</p> <p>This may require OCP amendments. Further investigation would be required.</p>	Benefit to application process streamlining by eliminating need for rezoning for certain housing types.	Upfront staff time needed to identify and assess suitable as-of-right zoning locations and amendments.
Revitalization Tax Exemption (RTE) / Property Tax Exemption (PTE)	<p>Adoption of a new <i>Revitalization Tax Exemption Bylaw</i>.</p> <p>The City of West Kelowna approved a Permissive Tax Exemption Policy in 2023. Permissive Tax Exemptions should be guided by this Council Policy.</p>	<p>Requires establishment of application process, coordination with Finance Department, and administration of RTE Agreements with Property Owner.</p> <p>If tax exemption is tied to a particular land use (i.e. rental apartment), consideration for restrictive covenant, housing agreement, or rental only zoning is required.</p>	<p>Must specify duration, eligibility, and exemption criteria.</p> <p>Administration of RTEs can be delegated to staff within the RTE Bylaw.</p> <p>Confirm alternative funding source to offset revenue loss.</p>

Broad Grant Programs Versus Individual Incentives

It should be noted that the incentives outlined above could alternatively be offered as a set grant to cover broader project costs – such as offering a grant program to offset DCCs as opposed to adopting a DCC waiver bylaw (and undertaking necessary Ministry review). Establishing a set grant amount still offers predictability for the City of West Kelowna and development community. A grant program allows the annual incentive amount to be standardized. In this case, by providing a fixed grant amount (in a given period of time) the City would avoid fluctuations tied to variable costs like DCCs, building permit fees, and development permit fees. This approach would benefit municipal budgeting and planning. However, it must be noted that developers would benefit from clarity on the specific amount of support that is available for their advance financial and project planning

purposes. A variable, unpredictable, grant amount, or an insufficient grant amount relative to the fees they expected to offset may result in no positive impact to project viability.

3.0 INFILL HOUSING – POTENTIAL FINANCIAL INCENTIVES

The methods of analysis and potential incentives vary for different typologies of infill housing, as such potential incentives and financial analyses are contained in discrete sections below. Policy and process-related incentives, such as expedited permitting, as-of-right zoning, and adjusted infrastructure or servicing requirements were not modeled for infill housing, as the variability of costs from project to project can be significant. However, it is known that these can be significantly impactful incentives and as such they are being explored as part of related and ongoing HAF initiatives. These measures are intended to improve viability by both incenting projects and reducing risk and regulatory barriers to development. They are expected to be brought forward in the future for Council’s consideration.

3.1 MULTI-PLEX (‘SSMUH’) INFILL HOUSING

To explore the potential impact of financial incentives for ground-oriented infill development in multiplex (4 unit) styles, proforma analysis was undertaken on infill developments that would replace existing single-detached homes on existing lots. Model sites were selected based upon locations of the City’s existing RP1 ‘Plex’ Zone. Recent sales prices and construction costs were acquired through desktop research and developer engagement.

Financial modelling suggests that small-scale multi-unit infill housing is financially challenging to deliver for a typical for-profit developer, given the likely upper limits on selling prices for this type of product, relatively high costs of construction, and relatively high costs for lot acquisition. Even under a highly optimistic financial scenario in which a developer can deliver units at the lowest end of the cost range, buys the cheapest available parcel, and achieves the highest unit pricing that the market might bear, 4-unit plex housing still shows sub-10% profit-on-cost returns. A more ‘typical’ combination of revenues and costs results in projects yielding a <0% profit on cost. The assumptions for the SSMUH proforma analysis are provided in **Table 4** below.

Table 4. SSMUH Proforma Basic Assumptions

Land Purchase Price	\$725,000
Gross Individual Unit Size	1,540 sq.ft.
Gross /sq.ft sales price	\$575
Gross /unit sales price	\$885,000
Construction Cost /sq.ft.	\$275

What the modelling suggests is that the most likely ‘use case’ for SSMUH in the City of West Kelowna is not necessarily traditional developer-led projects, but rather homeowner-led initiatives in service of both financial and non-financial goals. For instance, one practical scenario may see a homeowner tear down an aging single-detached home to create multiple units that can then be used by themselves and other family members, with the potential sale of one of more units helping to offset some of the overall construction costs and bring down the costs of their mortgages.

Given the financial analysis results under prevailing market conditions, incentives for this housing type are not likely to have a meaningful impact, at least not within the lifetime of available HAF funding. The financial results suggest that this type of housing is not financially attractive for developers to pursue, and that various incentives are not sufficiently impactful to move the dial on project viability. Projects that are unviable would remain unviable even with incentives applied, and projects that will move forward for reasons that cannot be captured by a developer pro forma will likely do so regardless of incentives.

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. This can include ensuring that other necessary components are addressed in advance – such as servicing, predictable approvals process and requirements, and a large geography of zoning permissions. A separate HAF initiative is addressing these items.

3.2 TOWNHOUSE

Townhouse infill developments are typically larger in scale than plex developments, involving more units, larger parcels of land, and tend to incorporate shared infrastructure assets such as drive aisles, below-ground servicing, and common amenity spaces. The per-square-foot costs to build townhouse projects are typically lower than plex developments, owing to economies of scale.

In the West Kelowna context, it is difficult to create a financial model for a 'typical' townhouse project, owing to significant variation in site conditions, amenities, and thus achievable pricing. There is such wide variation in product type that attempting to create a 'prototypical' case study pro forma for townhouses in this market is very challenging. As such, financial analysis was not performed on townhouses due to this site-specific nature of each development. While a proforma analysis may or may not show a project to be viable in one location, factors which would impact that outcome are likely to not be the same from one location to another given the wide range of possible variability of factors.

As noted for 'plex' style developments, a separate scope of work is underway to explore other policy and process changes that could provide incentive to townhouse projects. Some of these could be financial in nature (for example identifying locations which do not require certain off-site infrastructure upgrades). These incentives will be discussed in separate reporting.

3.3 ACCESSORY DWELLING UNITS

Accessory Dwelling Units (ADUs) represent a flexible, low-impact way to increase the supply of housing within existing West Kelowna neighbourhoods and provide homeowners with a supplementary income source to offset property costs. Supporting the development and legalization of ADUs in West Kelowna can play a key role in addressing housing affordability while meeting the Housing Supply Growth Target. This section provides examples of incentive programs and streamlining opportunities for Accessory Dwelling Units (ADUs) as well as case studies from other communities.

Financial scenarios for accessory dwelling units are difficult to analyze, as the situation for every property owner – such as monthly mortgage payments, ability to borrow, or amount of savings utilized to fund construction – will be different. Parameters for lending, the potential size of suite/number of bedrooms, location, finishings and market conditions will all impact how much rent can be collected. As such, owner situations are not possible to predict.

Although accessory dwelling units provide long-term rental income for a property owner, the up-front costs can be significant. Construction costs for suites will vary considerably – a range of \$25,000 - \$100,000+ for legalizing or installing a new secondary suite is possible. Construction of a new carriage home brings higher costs, similar

to that of a new detached dwelling, likely \$250 - \$350/square foot. Offsetting this high initial cost, while reducing risk to the homeowner through streamlined permitted, can support and/or incent new accessory dwelling units.

Building/Development Permit Fee Waiver

The City of West Kelowna does not currently offer any waivers or cost reductions related to development application and building permit fees for accessory dwelling units. Some municipalities have introduced permit fee waivers or reductions as part of a broader ADU incentive package. These waivers help offset the regulatory and compliance costs that often deter homeowners from constructing new units or legalizing existing, unauthorized suites.

City staff have indicated that legalization of non-conforming (without building permit) secondary suites in West Kelowna is currently managed on a complaint-driven basis. This reactive approach may limit the City's ability to ensure safe, code-compliant housing and discourage voluntary legalization.

To address this, the City could consider introducing:

- **Fee Waivers for Legalization:** Temporarily waive building and development fees for homeowners seeking to legalize existing suites. For example, the City of Cumberland offered an 18-month grace period where fees were waived for homeowners legalizing detached or attached ADUs.
- **Equivalent Life Safety Standards:** Allow alternative solutions that meet the intent of the BC Building Code without requiring full compliance, where appropriate. This can most easily incorporate items such as relaxed soundproofing requirements, allowance of centralized heating systems (in accordance with Building Code requirements), and acceptance of existing wall assemblies as separations between units. This approach has been used successfully in other jurisdictions to balance safety with feasibility. In the City of Cumberland, during the same grace period described above, building officials allowed the use of alternative solutions to meet BC Building Code standards that maintained safety while reducing cost.

Development Cost Charges (DCC) Waiver

Local governments generally have flexibility in establishing DCCs; the LGA requires six statutory mandatory exemptions from DCCs⁹ and empowers local governments to waive or reduce DCCs for four other types of development. The Ministry may also, by regulation, establish, restrict or establish criteria to restrict what constitutes an "eligible development" for the purposes of waiving or reducing DCCs.

The City of West Kelowna currently applies a Development Cost Charge (DCC) of \$68.63 per square metre of floor area for carriage houses. As outlined in **Table 5**, the maximum permitted gross floor area of a carriage house varies depending on the parcel's zoning. If a DCC waiver were applied, the maximum fee waiver available to a property owner would range from approximately \$6,200 to \$9,600, depending on parcel size and zoning.

A DCC waiver for carriage houses could be explored as a targeted incentive, recommended only in specific areas of the City, such as hillside neighbourhoods, where other forms of infill housing are less feasible. The incentive could be structured as a time-limited program or capped based on the total number of permits issued. If time limited, the City could provide grant payments to offset the cost of DCCs in lieu of a DCC Waiver Bylaw.

⁹ S. 561 *Local Government Act*.

Table 5. Accessory Dwelling Unit Maximum DCC Waiver

Zone	Maximum Gross Floor Area	Maximum Fee Waiver
RC1, RC2, RC3, RPI, R1, RIL, RU1, I6, CD1(C), CD1(E), CD3(A)	110 square metres or 75 per cent of the gross floor area of the principal dwelling, whichever is less	\$ 7,549.30
RU2, RU3, RU4, RU5, AI	140 square metres or 75 per cent of the floor area of the principal dwelling, whichever is less	\$ 9,608.20
Parcels within the ALR	90 square metres or 75 per cent of the gross floor area of the principal dwelling, whichever is less for parcels less than 40 hectares; or 140 square metres or 75 per cent of the gross floor area of the principal dwelling, whichever is less for parcels greater than 40 hectares.	\$ 6,176.70 for parcels less than 40 hectares \$ 9,608.20 for parcels greater than 40 hectares

Grants Program

Grant programs aim to reduce financial barriers for homeowners and increase the supply of affordable rental housing within existing neighbourhoods. In most cases, grant funding is offered for both new ADUs and for bringing existing unauthorized suites up to building and zoning code standards. The Provincial and Federal Governments are also in the process of revising ADU incentive grant programs. The following are case study examples of ADU Grant programs:

City of Campbell River – Secondary Suite Grant Program

Incentive Grant of \$5,000. Maximum expenditure of \$250,000 funded by the HAF program.

Applicability	Construction or legalization of secondary suites.
Eligibility Requirements/ Other Incentives	Building Permit fees waived for secondary suites and all accessory dwelling units until December 31, 2027. BC Building Code sound attenuation requirements for existing secondary suites will be waived until December 31, 2027. A 20% reduction in sewer and water utility fees is in place for accessory dwelling units.
Deadline	Grant available until December 31, 2027.

Town of Comox – Home-Suite-Home Incentive Program

Incentive Grant of \$3,000. Maximum expenditure of \$75,000 funded by the HAF program

Applicability	New ADUs (secondary suite or coach house) or bringing existing unauthorized ADUs up to BC Building Code and zoning bylaw standards.
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	The grant is not available for newly constructed dwellings that include a secondary suite.
<i>Eligibility Requirements/ Other Incentives</i>	Must sign owners declaration to make the ADU available as a residential dwelling unit and not decommissioned or utilized as a short-term rental for a 5-year period.
<i>Deadline</i>	Grant available until December 1, 2027, or until the allocated funds are exhausted, whichever comes first.

To further strengthen the effectiveness of a grants program, the City should consider including *Right of First Refusal* (RFR) provision for tenants displaced by renovations. This would allow tenants to move back into their renovated suites at the same rent they paid prior to the upgrades. Including RFR as a condition of grant eligibility would help preserve housing stability for long-term tenants, prevent renovations, and ensure that HAF funds are used to improve the rental stock and benefit low- and moderate-income renters.

Guides & Forms

Clear, accessible, and user-friendly guides and forms are also essential tools to support the uptake of ADUs. Many homeowners interested in building or legalizing a secondary suite are not familiar with permitting processes, building code requirements, or zoning regulations. Providing well-designed resources can reduce confusion, minimize staff time spent answering routine questions, and improve application success rates. A series of example forms and guides that could support applicants navigate the ADU development approvals process are included in **Appendix B**.

4.0 IMPLEMENTATION SCENARIOS

Table 6 on the following page summarizes a suggested approach to combining various incentive programs towards different typologies, tenures, and intended markets. These combinations reflect the scenarios detailed in Table 1 (*Cost Impact of Potential Incentive Offerings*), and policy/bylaw implications discussed in this memo.

The combinations of incentives in this table are 'stacked' together relative to financial need and importance of priority housing. This reflects the following assumed hierarchy, with those higher on the list receiving more financial and policy incentives, and those lower on the list receiving fewer financial and policy incentives.

- Non-market (non-profit operated) rental housing
- Purpose-Built Market Rental Housing
- Accessory Dwelling Units
- Infill Housing (ownership and/or rental tenure)

This summary tables provides a side-by-side comparison of scenarios which can be used to inform decision-making surrounding the allocation of HAF funds towards these discrete incentives. The table notes which incentives are suggested to be applied to each housing typology/tenure, whether or not a policy or bylaw [amendment or adoption] is required, and whether or not this would require consideration of financial impact on the City and/or available HAF funds. The latter would be impacted by the City's decision to implement these financial programs temporarily (based on availability of HAF funding) or permanently.

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Table 6. Incentive Options Summary Matrix

Potential Incentive	Housing Typology				Required Bylaw Amendments or Policy Change	Has 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	**	**	**	**	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 Req'd	X
Permissive Tax Exemption (100%)	X				Permissive Tax Exemption Policy Bylaw No. 322, 2024	X
10 Year Revitalization Tax Exemption (Exemption amount may vary)		X			[NEW] Revitalization Tax Exemption Bylaw Req'd.	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

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5.0 CONCLUSION

This memo outlines a comprehensive package of targeted financial incentives and policy tools that the City of West Kelowna can implement to support the delivery of priority housing types. The financial viability analysis confirmed that incentives such as development cost charge (DCC) waivers, permit fee reductions, land contributions, and property tax exemptions, especially when combined, can be instrumental in supporting both market and non-market housing projects.

This memo demonstrates how a combination of streamlined processes, as-of-right zoning, and layered financial incentives can meaningfully reduce development costs, increase approvals certainty for applicants, and accelerate the delivery of priority housing. However, the implementation of these incentives requires careful coordination and financial planning. While HAF funding can support the development of these initiatives in the short term, the City will need to consider long-term funding strategies to sustain them beyond the duration of the program.

Successful implementation will also require cross-departmental collaboration, updates to bylaws, clear eligibility criteria, communication and partnership with non-profit housing providers, and accessible resources for applicants to remove barriers to developing priority housing types. It is also important to note that decisions regarding which incentives to implement—and to what extent—will depend on Council direction, community priorities, financial capacity, and alignment with broader housing and planning objectives. **Appendix C** summarizes the incentives examined in this analysis, outlining their relative impact on stimulating new housing units, their need for permanence, associated costs to the City, and alignment with the HAF program.

APPENDIX A: SUMMARY OF VIABILITY ANALYSIS

The project team explored the impacts of the various financial incentives the City of West Kelowna could utilize by applying these incentives to hypothetical 65-unit rental apartment development project. The impacts of each incentive were explored over a 10-year operational snapshot. The analysis looks at impact on project costs from three perspectives outlined below:

- **Cost during planning and development:** These are all hard and soft costs incurred by developers, including land cost, construction cost, professional fees and government levies, and construction financing. The higher the construction cost, the lower the viability of the project would be (all else being equal).
- **Cost of equity:** The required annual return that developers have committed to the equity providers (such as investors and shareholders) to obtain the equity required to get a project off the ground. Equity is often seen as the prerequisite for the developers to kickstart the development. Prolonged development timelines increase uncertainty and risk due to fluctuation in cost and achievable revenue, which makes it difficult for developers to meet the equity return commitment, or increase the return expectations of equity partners. This creates challenges for developers to acquire the necessary equity to start and sustain development projects.
- **Cost of operation:** The cost incurred during operation of rental units, including property tax, insurance, repairs and maintenance, utilities, and management fees. High operating cost can hamper the ability for developers to meet their debt service obligations. If operational phase debt service obligations do not pencil, developers will need to either find operational cost efficiencies or seek out more equity at the construction phase to 'right-size' their takeout financing (with associated equity return obligations).

In the analysis, the impact of different incentives on cost of development, cost of equity and operations were evaluated based on a 10-year operational snapshot of a hypothetical 65-unit market rental development.

Key Findings

- Waiving land cost has the largest cost reduction for both cost during development and cost of equity. As the cost of development decreases, the amount of equity required also decreases, resulting in a decrease in cost of equity.
- Prezoning and reduction of approval timeline would have over 50% impact on cost of equity, as the return required to compensate for equity being locked in the development during the approval phase decreases under shorter approval timeline.
- Introduction of Revitalization Tax Exemption for 10-year period could create around 20% reduction in operating cost.
- Though these tools can be used as individual levers, these tools are most effective when applied together.

Table 1. Results of Land Economics Analysis

Overall Cost Reduction	Cost During Development	Cost of Equity	Cost of Operation (10 years)
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Zero Land Cost	-\$4,887,000 (-16.5%)	-\$3,069,000 (-13.0%)	-\$1,818,000 (-79.1%)	\$0 (0.0%)
As-of-right Zoning + Expedited Permit Approval (6 Month Total Approval Timeline)	-\$778,000 (-2.6%)	-\$757,000 (-3.2%)	-\$21,000 (-0.9%)	\$0 (0.0%)
RTE (Full)	-\$389,000 (-1.3%)	-\$378,000 (-1.6%)	-\$11,000 (-0.5%)	\$0 (0.0%)
RTE (Improvement Portion Only)	-\$834,000 (-2.8%)	\$0 (0.0%)	\$0 (0.0%)	-\$834,000 (-22.4%)
As-of-right Zoning (12 Month Total Approval Timeline)	-\$697,000 (-2.3%)	\$0 (0.0%)	\$0 (0.0%)	-\$697,000 (-18.7%)
DCC Waiver (Full)	-\$855,000 (-2.9%)	-\$34,000 (-0.1%)	-\$820,000 (-35.7%)	\$0 (0.0%)
DCC Waiver (50%)	-\$1,235,000 (-4.2%)	-\$53,000 (-0.2%)	-\$1,183,000 (-51.4%)	\$0 (0.0%)
Building Permit Waiver (Full)	-\$3,000 (0.0%)	-\$3,000 (0.0%)	\$0 (0.0%)	\$0 (0.0%)
Building Permit Fee Waiver (50%)	-\$112,000 (-0.4%)	-\$109,000 (-0.5%)	-\$3,000 (-0.1%)	\$0 (0.0%)
Development Permit Fee Waiver (100%)	-\$221,000 (-0.7%)	-\$215,000 (-0.9%)	-\$6,000 (-0.3%)	\$0 (0.0%)

APPENDIX B: EXAMPLE GUIDES & FORMS

Step-by Step & General Guides

- [City of Campbell River Guide to Constructing a Secondary Suite in and Existing Home](#)
- [City of Campbell River Guide to Missing Middle](#)
- [District of North Vancouver How-To Coach House Guide](#)
- [City of Victoria the Garden Suite Policy and Guidelines](#)
- [City of Kelowna Carriage House Requirements Bulletin](#)
- [City of Kelowna Secondary Suite Requirements Bulletin](#)
- [Frasier Valley Building Department Guide to Secondary Suites and ADUs](#)
- [City of Chilliwack Secondary Suites, Coach Houses, and Garden Suites](#)
- [City of Coquitlam Secondary Suites Brochure](#)
- [City of Nanaimo Secondary Suite Building Code & Zoning Requirements](#)

Frequently Asked Question Form Examples

- [Town of ComoxADU Incentive Program FAQs](#)
- [City of Abbotsford Secondary Suite Incentive Program FAQs](#)

APPENDIX C: INCENTIVE COMPARISON MATRIX

Incentive Option	Estimated Impact Towards Incenting New Housing Units (High/Med/Low)	Initiative Permanence Required to be Effective (Yes/No)	Cost to Municipality (Yes/No) \$ - \$\$\$\$ (Legend Below)	Required to Fulfill CMHC HAF Funding Commitment (Yes/No)	Alignment with HAF Initiatives
Land Contributions	Very High: largest single impact on project viability.	No – Could be one-time land disposition for a single project. Requires Council approval/updates to land acquisition/disposition bylaw.	Yes – land acquisition costs \$\$\$\$\$	YES	Initiative #6 – Housing & Community Amenity Development Leveraging of Municipally Owned, Crown, and Institutional Land
As-of-right Zoning	High: large impact on certainty and finance; modelled significant reductions in costs and timeline.	Yes - needed to deliver the certainty that reduces risk/borrowing costs.	No – cost is administrative	YES	Initiative #1 – Rental Use Zoning Initiative #3 – Expanding Allowances for Infill Housing and Additional Dwelling Units
Expedited Permit Approval	High: significantly reduces approval timelines and cost of equity (over 50%) when coupled with pre-zoning.	No - can be time limited, but predictable procedures increase effectiveness of incentive	No – but may require reallocation of staff resourcing at certain times	YES	Initiative #7 – Development Approvals Procedures Streamlining Initiative #2 – Incentive Program for Non-Market Affordable, Priority Housing and Missing Middle
DCC Reductions & Waivers	High: large per-unit impact in viability analysis.	No – not necessarily, but permanence protects long-term viability (note that DCC waiver requires bylaw and policy + reserve funding strategy).	Yes – shifts infrastructure funding burden. Can be offset via HAF/grants or tax contributions to DCC reserve. \$\$\$\$	NO	Initiative #2 – Incentive Program for Non-Market Affordable, Priority Housing and Missing Middle
10 Year Revitalization Tax Exemption (Exemption amount may vary)	High: Impactful for reducing operating costs and long-term viability.	Yes – provides market certainty over time by being a standing program. Program's benefits are not yielded until projects are occupied: 3 – 4 years from now would be earliest.	Yes – loss of property tax revenue \$\$\$	NO	Initiative #2 – Incentive Program for Non-Market Affordable, Priority Housing and Missing Middle

Concurrent Processing	Medium: Can create significant time and cost savings for development projects.	No - can be time limited, but predictable procedures increase effectiveness of incentive.	No – but could necessitate additional staff training or resourcing to maintain timelines.	NO	Initiative #7 – Development Approvals Procedures Streamlining
Permissive Tax Exemption (100%)	Medium: significant for non-profits/non-market but limited for private market rental.	Yes – requires annual approval (can be extended to 10 year approvals).	Yes - loss of property tax revenue. \$\$\$	NO	Initiative #2 – Incentive Program for Non-Market Affordable, Priority Housing and Missing Middle
Grants	Medium/Low: contingent on size of grant. Good substitute for waivers towards targeted priority housing projects.	No – grants often time-limited to HAF window, but a multi-year grant program could be more impactful.	Yes – if funded beyond HAF program. \$\$	NO	Initiative #2 – Incentive Program for Non-Market Affordable, Priority Housing and Missing Middle
Building/Development Permit Fee Waiver	Low: little per-unit impact but significant for non-market/ADU projects.	No – not necessary but ongoing waiver could increase program uptake.	Yes – lost fee revenue. \$	NO	Initiative #2 – Incentive Program for Non-Market Affordable, Priority Housing and Missing Middle

Legend

\$ = <100,000
 \$\$ = >100,000=<\$500,000
 \$\$\$ = > \$500,000 =< \$1,000,000
 \$\$\$\$ = > \$1,00,000 =< \$2,000,000
 \$\$\$\$\$ = >\$2,000,000