



Council Report

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Date: February 3, 2026 **File No:** RMS/5080-20
To: Anthony Haddad, City Manager
From: Steven Collyer, Housing & Policy Initiatives Manager
Subject: **Ongoing Affordable Housing Pre-Development Funding Program**

Staff Recommendation

THAT Council receive into the record the report dated February 3, 2026 titled "Ongoing Affordable Housing Pre-Development Funding Program";

AND THAT Council approve the updated program guidelines and application (Attachment 'A') to facilitate the continuation of the City's Affordable Housing Pre-Development Funding Program on an ongoing basis after February 28, 2026;

AND THAT Council endorse funding this program from the Online Accommodation Platform (OAP) Reserve.

Strategic Priority Objective

Vision: Penticton is a connected, resilient and healthy waterfront city focused on safety, livability and vibrancy.

Mission: Penticton will serve its residents, businesses and visitors through organizational excellence, partnership and the provision of effective and community focused services.

Livable & Accessible: The City of Penticton will proactively plan for deliberate growth, focusing on creating an inclusive, healthy, and vibrant community.

Background

Past Council Decisions

In February 2024, Council approved a one-year pilot program offering financial support and early partnership with non-profit housing providers at the early concept stage of affordable housing developments.

8.4 Affordable Housing Pilot Funding Program

64/2024

It was **MOVED** and **SECONDED**

THAT Council endorse the "Affordable Housing Pilot Funding Program: Guidelines & Application" as outlined in Attachment A;
 AND THAT Council approve \$100,000 be transferred from the Affordable Housing Amenity Contribution Reserve for the Affordable Housing Pilot Funding Program;
 AND THAT Council direct staff to amend the 2024-2028 Financial Plan accordingly;
 AND THAT Council authorize the Chief Financial Officer to sign the program agreements and/or contracts with the successful applicants;
 AND THAT Council direct staff to report back on the Affordable Housing Pilot Funding Program after the one-year pilot is complete.

CARRIED UNANIMOUSLY

The program intended to support the pre-development work required for capital funding applications to provincial and federal governments, including architectural design, appraisals, technical reviews, and legal work. This work is often extensive and the pilot program made efficient use of limited funds in the city's Affordable Housing Reserve. The program was launched in March 2024 and made available to the non-profit housing sector to apply.

In January 2025, Council extended the affordable housing pilot funding program with the remaining funds of the original \$100,000 for another year. The extension was approved until the end of February 2026, at which point the future of the program would be further considered.

8.5 Affordable Housing Pilot Funding Program Extension

29/2025 It was **MOVED** and **SECONDED**

THAT Council approve a one-year extension of the Affordable Housing Pilot Funding Program to run to the end of February 2026;
 AND THAT the remaining \$79,700 allocation from the Affordable Housing Reserve be available for the extended program;
 AND THAT the 2025-2029 Financial Plan be amended accordingly.

CARRIED UNANIMOUSLY

Applications Received

The City received four applications to the pilot program, with three approved for funding.

| Application | Pre-Development Work Supported | Number of Affordable Units | Funding Provided |
|-------------|---|----------------------------|---------------------------------|
| 1 (2024) | Building condition assessment, appraisal, and legal fees to support acquisition through Rental Protection Fund. | 14 | \$21,300 |
| 2 (2024) | Architectural design | 50-60 | \$0 – proponent did not proceed |
| 3 (2025) | Architectural design | 60 | \$25,000 |

| | | | |
|----------|---|----|----------|
| 4 (2025) | Architectural design and development consultant | 64 | \$50,000 |
| | | | \$96,300 |

Now that the original funding has been allocated, staff reviewed options to continue the program with a more sustainable funding source.

Funding Source Change

The Affordable Housing Reserve is developer-funded when specific new developments exceed their base allowable density. Contributions into this reserve are limited and inconsistent.

Staff are recommending the funding source switch to the Online Accommodation Platform (OAP) Reserve. The OAP Reserve is funded through a tax on short-term rentals and directed to support affordable housing in Penticton. There are specific guidelines set by the Province on how these funds can be used.

Provincial parameters on the use of funds collected for the Municipal and Regional District Tax (MRDT) tax which funds the OAP Reserve allow for the following spending on affordable housing initiatives:

- Acquiring, constructing, maintaining or renovating housing or shelter;
- Acquiring or improving land use for, or intended to be used for, housing or shelter;
- Supporting the acquisition, construction, maintenance, renovation or retention of housing or shelter or the acquisition or improvement of land intended to be used for housing or shelter;
- Supporting housing, rental or shelter programs; or
- Paying expenses related to the administration or disposal of housing, shelter or land acquired with money paid out of MRDT revenues.

Pre-development grants support necessary expenses towards the construction of new affordable housing projects in Penticton. The City’s pre-development funding program guidelines and application (Attachment ‘A’) sets parameters on the use of program funds that meet the OAP Reserve requirements.

Relevant Policy - Official Community Plan

- Policy 4.1.2.1: Where the need is demonstrated, collaborate and partner with senior governments, Interior Health, the non-profit housing sector and the development community to facilitate the retention, development and operation of projects across the housing spectrum including shelters, transitional housing, complex care, supportive housing, non-market housing, co-op housing and affordable rental and ownership housing for singles, families, youth and seniors, with the goal of expanding the amount of non-market units in the city.

- Policy 4.1.2.2: Maximize the housing potential of existing land assets (sites and buildings) owned by non-profits and governments, including the City, through strategic partnerships and knowledge sharing.
- Policy 4.1.2.3: Recognize that while senior governments play the primary role in fostering, funding and delivering affordable housing, the City will provide support through technical assistance, supportive regulations, partnerships, community consultation, project facilitation, and implementing policies that encourage new housing development across Penticton.

Relevant Policy - Social Housing & Infrastructure Plan

- Recommendation #6: Expand the Affordable Housing Pilot Funding Program and find ways to continue funding the affordable housing reserve to offer pre-development funding on a longer-term basis.
- The Social Housing Needs Report (included in the SHIP) highlights a need for 666 new affordable rental units (i.e. 80% market rent) and 823 new social housing units (i.e. units rented at 30% of household income) by 2046. This program is specifically designed to help development proposals in these categories.

Financial Implication

In February 2024, Council endorsed up to \$100,000 from the Affordable Housing Reserve for the pilot program. In January 2025, Council approved extending the pilot program with the remaining funds until the end of February 2026 with \$96,300 of the original \$100,000 now having been allocated through the program.

The Affordable Housing Reserve is paid into on a case-by-case basis by developers when they exceed the base zoning allowed. The Affordable Housing Reserve balance as at Dec 31, 2024 is \$275k, however with approved budget items is forecasted to be \$57k by the end of 2026. A portion of the funds will continue to support affordable housing policy development through the Advancing Housing Affordability initiative.

Staff are proposing to continue the pre-development funding program long-term with the funding source switched to the Online Accommodation Platform (OAP) Reserve. The balance of the OAP Reserve as at Dec 31, 2024 was \$642k and is forecasted to be \$1M by the end of 2026. Annual additions from the OAP funding are anticipated to be approx. \$250k.

Staff continue to expect 2-3 applications for pre-development funding per year and an average grant amount between \$20,000 and \$50,000. The updated guidelines include a maximum annual granting amount of \$100,000 in total, with the opportunity for Council to consider exemptions to this guideline on a case-by-case basis. The program policy and application (Attachment 'A') requires that funding of the program is contingent on OAP Reserve funding being available, to not overcommit that reserve.

Climate Impact

New housing developments need to comply with the 'Big Moves' of the Community Climate Action Plan. Future developments shall meet the BC Energy Step code requirements for energy efficiency, local bicycle parking requirements, and local electric vehicle (EV) ready parking requirements through the development approvals process.

Analysis

Penticton continues to experience a lack of new affordable housing developments to address identified needs. Non-profit housing developments meet affordability needs not served by the private market.

Non-profit housing capital grant programs are increasingly competitive as the needs increase and funding tightens at both the provincial and federal levels of government. This highlights the need for strong, shovel-ready submissions to higher levels of government to increase the likelihood of securing capital funds to build these much-needed homes.

The City has seen success from its two-year pilot pre-development granting program by supporting three projects move towards capital grant applications. The program not only provides financial support, but encourages early partnership between the proponent and the City to complete early technical reviews and land use policy interpretation. This highlights the City's support of the project through the capital grant application.

The OAP Reserve is a consistent revenue source which is well-aligned to source this ongoing program. Other remaining funds in the OAP Reserve can be directed to affordable housing projects in other ways, such as land acquisition.

Staff are aware of several potential projects with emerging partnerships through the Social Housing and Infrastructure Plan which will be interested in this ongoing local pre-development funding and partnership opportunity over the coming years.

Staff are recommending that Council approve the updated program guidelines and application (Attachment 'A') to make this an ongoing pre-development funding program with its shift to a more sustainable funding source.

Staff would continue to report annually on the uptake of this program, as required by the OAP Reserve policy.

Alternate Recommendations

Council may choose to not continue this pre-development funding program for new affordable housing projects by non-profit housing organizations. Staff are not recommending this option as the pilot program has supported three projects advance towards securing funding and construction while

encouraging partnerships with the City at a very early stage. If Council wishes to not continue the program, they may choose the alternate recommendation.

1. THAT Council not extend the Affordable Housing Pre-Development Funding Program.

Attachments

Attachment A – Updated Affordable Housing Pre-Development Funding Program Policy and Application (redline version)

Respectfully submitted,

Steven Collyer, RPP, MCIP
Housing & Policy Initiatives Manager

Concurrence

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| General Manager of Development Services <i>BL</i> | General Manager of Corporate Services <i>AMC</i> | General Manager of Public Safety and Partnerships JC | City Manager <i>SH</i> |
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