

Report to Council



Date: May 28, 2018
File: 1220-02
To: City Manager
From: Ross Soward, Planner Specialist
Subject: Rental Housing Revitalization Tax Exemption Agreements

Recommendation:

THAT Council, receives, for information, the Report from the Planner Specialist dated May 28, 2018 recommending that Council adopt the following Revitalization Tax Exemption Agreements for three purpose-built rental housing projects;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Valley Land Subdivision Ltd, for Lot A, Sections 29 and 32 Township 26, ODYD, Plan EPP75038 at 724 Valley Road, Kelowna, BC;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Necessary Homes Ltd, INC NO. BC o850280, for Lot 1, Block 1 District Lot 137, ODYD, Plan 5042 at 1155 Pacific Avenue, Kelowna, BC;

AND FURTHER THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with 0984342 B.C. LTD for Lot A District Lot 134 ODYD, Plan EPP65105 at 3477-3499 Lakeshore Road, Kelowna, BC.

Purpose:

To bring forward three 10-year Revitalization Tax Exemption Agreements for approval to support the purpose-built rental housing projects identified in the report from the Planner Specialist, dated May 28, 2018 in accordance with Revitalization Tax Exemption Program Bylaw No. 9561.

Background:

Over the last several years, Kelowna's rental housing market has been under significant pressure. As one of the fastest growing regions in Canada, the demand for purpose-built rental housing has continued to outpace the construction of new rental housing. According to CMHC, the 2017 vacancy

rate in the Kelowna CMA was 0.2%, well below City's goal of 3.0% as a healthy rental market. In order to encourage the development of purpose-built rental housing, the City provides a number of financial incentives.

One of the incentives is for 10-year revitalization tax exemptions for purpose-built rental housing where the proponent meets three requirements:

1. The vacancy rate is at or below 3%
2. The subject property has a Housing Agreement (for up to 10 years)
3. Development in compliance with the OCP Future Land Use designation

All of the projects meet the criteria for revitalization tax exemption applications. The three projects have Housing Agreements in place, subject to Council approval. The City's rental housing vacancy rate is currently below 3% and all projects are in compliance with the OCP future land use designation. The proposed exemption will be valid for the ten years based on occupancy of each individual project. A draft copy of the Revitalization Tax Exemption Agreement for each project is attached for additional details.

Although there is a significant need and demand for rental housing the Revitalization Tax Exemption program does come at a financial cost. Staff estimate the total amount of tax revenue associated with the 10-year exemption for the 282 purpose-built rental units is \$1,380,000. The amount for each project is estimated in the table below.

Property	Project Details	Estimated Annual Revenue Impact
724 Valley Road	166 rental units	\$80,000
1155 Pacific Avenue	14 rental units	\$7,000
3477-3499 Lakeshore Road	102 rental units	\$51,000

Internal Circulation:

Supervisor, Revenue
Divisional Director, Community Planning & Real Estate
Department Manager, Policy & Planning
Manager, Long Range Policy Planning
Manager, Urban Planning

Legal/Statutory Authority:

Revitalization Tax Exemption Program Bylaw No. 9561, 2006
Community Charter, Division, Section 226

Legal/Statutory Procedural Requirements:

The Revitalization Tax Exemption Bylaw No. 9561 supports municipal tax incentives for purpose-built rental housing when the vacancy rate for rental housing is at three per cent or lower.

Existing Policy:

Official Community Plan Bylaw No. 10500

Revitalization Tax Exemption Program Bylaw No. 9561 Policy 5.1.3

Submitted by: R. Soward, Planner Specialist

Approved for inclusion: J. Moore, Department Manager of Policy & Planning

Attachments:

1. Schedule A - Draft RTE Agreement 724 Valley Road
2. Schedule B - Draft RTE Agreement 1155 Pacific Avenue
3. Schedule C - Draft RTE Agreement 3477-3499 Lakeshore Road