

# Report to Council



**Date:** June 24, 2019  
**File:** 1220-02  
**To:** City Manager  
**From:** Ross Soward, Planner Specialist  
**Subject:** Rental Housing Revitalization Tax Exemption Agreements Spring 2019

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## **Recommendation:**

THAT Council, receives, for information, the Report from the Planner Specialist dated June 24, 2019 recommending that Council adopt the following Revitalization Tax Exemption Agreements for two purpose-built rental housing project;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with 0904419 BC Ltd., for Lot B Section 29, Township 26 ODYD, PLAN EPP54061 at 773 Glenmore Road, Kelowna, BC;

AND FURTHER THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Society of Housing Opportunities and Progressive Employment, for Lot B Section 4, Township 23 ODYD, Plan EPP70323 at 165 Celano Crescent, Kelowna, BC.

## **Purpose:**

To bring forward two 10-year Revitalization Tax Exemption Agreements for the two purpose-built rental housing projects identified in the report from the Planner Specialist, dated June 24, 2019 in accordance with Revitalization Tax Exemption Program Bylaw No. 9561.

## **Background:**

The City's Healthy Housing Strategy (HHS) identifies the need for annual construction of purpose-built rental housing to encourage a balanced long-term rental housing market in Kelowna. Through the HHS an annual target of 400 purpose-built rental units was established to achieve a healthy long-term rental market. The development of purpose-built rental housing continues to be an important priority with the City's vacancy rate continuing to be below 2 per cent as of fall 2018.

To encourage the development of purpose-built rental housing the City provides two main financial incentive programs. 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.

Both proposed projects meet the criteria for revitalization tax exemption applications. The affordable rental project at Celano Crescent will be a partnership with BC Housing and therefore will have a long-term operating agreement in place that satisfies the City's requirement for a housing agreement. The Glenmore Road project has a housing agreement registered on title after Council approved the agreement on March 25<sup>th</sup>, 2019. The City's rental housing vacancy rate remains below 3 per cent and both projects comply with the OCP future land use designation. The proposed exemptions 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 long-term purpose-built rental housing, the Revitalization Tax Exemption program does come at a financial cost to the City of Kelowna. Staff estimate that \$920,000 of municipal tax revenue would be exempt over the lifespan of the 10-year agreements for the 108 purpose-built rental units. A revenue impact estimate for each project is provided in the table below.

Property	Project Details	Estimated Annual Revenue Impact
773 Glenmore Road	87 rental units	\$75,000
165 Celano Crescent	21 rental units	\$17,000

**Internal Circulation:**

Supervisor, Revenue  
Divisional Director, Planning & Development Services  
Department Manager, Policy & Planning  
Manager, Long Range Policy Planning  
Department Manager, Development 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. Attachment A - Draft RTE Agreement 773 Glenmore Road
2. Attachment B - Draft RTE Agreement 165 Celano Crescent