

# Report to Council



**Date:** December 2, 2019  
**To:** Council  
**From:** City Manager  
**Subject:** Revitalization Tax Exemption Agreements – Fall 2019  
**Department:** Policy and Planning

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**Recommendation:**

THAT Council, receives, for information, the Report from the Planner Specialist dated December 2, 2019 recommending that Council adopt the six Revitalization Tax Exemption Agreements;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with West Avenue - Mission Group Homes Ltd, for Lot A, District Lot 14, ODYD, Plan EPP92146, at 454-464 West Avenue, Kelowna, BC;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Simple Pursuits Ltd., for Lot B, District Lot 128, ODYD Plan KAP83889, at 2080 Benvoulin Court, Kelowna, BC;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Whitworth Holdings Ltd., for Lot 3 Section 6 Township 26 ODYD, Plan 4912, at 4119 Lakeshore Road, Kelowna, BC;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Drysdale Blvd Kelowna Apartments 2019 LTD, for Lot 2, Section 33 Township 26 ODYD, Plan EPP48909 at 333 Drysdale Boulevard, Kelowna, BC;

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Ella-Mission Group Homes Ltd, for Lot 1, PlanEPP78300 District Lot 139, ODYD, Plan EPP82631, Volumetric SRW; PID 030-380-499 at 1588 Ellis Street, Kelowna, BC;

AND FURTHER THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Mission Group Holdings Ltd, for Lot A, District Lot 139, ODYD, Plan EPP81417 at 1471 St. Paul Street, Kelowna, BC.

[Recommendation]

**Purpose:**

To bring forward six 10-year Revitalization Tax Exemption Agreements for multi-family housing projects identified in the report from the Planner Specialist, dated December 2, 2019 in accordance with Revitalization Tax Exemption Program Bylaw No. 9561.

**Background:**

The City's Revitalization Tax Exemption (RTE) bylaw provides 10-year tax exemptions as an incentive to achieve two different objectives: catalyzing urban centre development, and supporting purpose-built rental housing. More specifically, the City provides opportunities for mixed-use developments to pursue tax exemptions within designated areas in the Downtown and Rutland urban centres. Also, long-term (purpose-built) rental housing projects within the Core Area and identified Village Centres are eligible to apply for a tax exemption to promote a healthy rental housing market.

**Discussion:**

Four of the RTE applications are for 10-year revitalization tax exemptions for purpose-built rental housing where the proponent must meet the following requirements:

1. Subject property is located within one of the following areas: Core Area of Kelowna, Glenmore Valley Village Centre, or University South Village Centre as defined by the OCP, Bylaw 10500.
2. The subject property has a Housing Agreement (for a minimum of 10 years)
3. Development in compliance with the OCP Future Land Use designation

Three of the proposed rental housing projects (West Avenue, Drysdale Boulevard and Benvoulin Court) meet all criteria for rental housing RTE applications. These projects have housing agreements in place with the City of Kelowna (subject to Council approval) and are located within the Core Area of Kelowna or Glenmore Valley Village Centre. A draft copy of each of these RTE agreements is attached for additional details.

The fourth rental housing project (4119 Lakeshore Road) that is applying for the rental housing RTE is located just outside of the Core Area as defined by the current Official Community Plan, Bylaw 10500. The 4119 Lakeshore Road project began the development permit approval process for a purpose-built rental in the Spring of 2019, and at that time the project met all criteria for a rental housing tax exemption under the RTE bylaw. Subsequently, the program was updated, introducing the Core Area location requirement and the project no longer met all the criteria. Staff are recommending the project be grandfathered under the terms of the previous bylaw, as the proponent had always intended to apply for the rental housing exemption and had a reasonable expectation that they would be eligible for the program under the RTE Bylaw at the time they applied for their development permit. It is also worth noting that the draft 2040 OCP has expanded the Core Area and that this project is situated within that expanded area, which suggests that the application is generally consistent with the City's long-term policy direction.

The other two projects (Ellis Street and St Paul Street) are applying under the City Centre (downtown) revitalization component of the RTE program. The two mixed-use residential projects are both within Tax Incentive Area 2 and meet the following requirements:

1. Subject property is in the designated downtown geographic area
2. Mixed-use development meets the minimum floor area of 40,000 square feet

Although these Revitalization Tax Exemptions support city priorities related to downtown investment and long-term rental housing, the RTE program does come at a financial cost. Staff estimate the annual tax revenue impact associated with the exemption for the six projects and 615 housing units to be approximately \$465,000. The annual revenue impact for each of the projects is estimated in the table below.

| Property               | Project Details                                      | Estimated Annual Revenue Impact | Tax Area            |
|------------------------|--|---------------------------------|---------------------|
| 454-464 West Avenue    | 48 long-term rental units                            | \$35,000                        | Rental Housing      |
| 4119 Lakeshore Road    | 16 long-term rental units                            | \$10,000                        | Rental Housing      |
| 2080 Benvoulin Court   | 82 long-term rental units                            | \$45,000                        | Rental Housing      |
| 333 Drysdale Boulevard | 175 long-term rental units                           | \$125,000                       | Rental Housing      |
| 1588 Ellis Street      | 116 strata residential units and 6,000 sq. ft retail | \$130,000                       | Downtown Tax Area 2 |
| 1471 St Paul Street    | 178 strata residential units and 2,600 sq. ft retail | \$120,000                       | Downtown Tax Area 2 |

**Conclusion:**

In closing, by encouraging development through the Revitalization Tax Exemption program, the City is advancing the Council priority of building vibrant neighbourhoods and encouraging the creation of more affordable and attainable housing options.

**Internal Circulation:**

Supervisor, Revenue  
 Divisional Director, Planning & Development Services  
 Department Manager, Policy & Planning  
 Manager, Long Range Policy 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 and mixed-use projects in designated areas of the Downtown.

**Existing Policy:**

Official Community Plan Bylaw No. 10500

Revitalization Tax Exemption Program Bylaw No. 9561

**Submitted by:** R. Soward, Planner Specialist

**Approved for inclusion:** J. Moore, Department Manager of Long Range Policy Planning

Attachments:

- A. Draft RTE Agreement 1471 St. Paul Street
- B. Draft RTE Agreement 1588 Ellis Street
- C. Draft RTE Agreement 333 Drysdale Boulevard
- D. Draft RTE Agreement 464 West Avenue
- E. Draft RTE Agreement 2080 Benvoulin Court
- F. Draft RTE Agreement 4119 Lakeshore Road