

# Report to Council



**Date:** June 15, 2020  
**To:** Council  
**From:** City Manager  
**Subject:** Rental Housing Revitalization Tax Exemption Agreements – June 2020  
**Department:** Policy & Planning

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**Recommendation:**

THAT Council, receives, for information, the Report from the Long Range Policy & Planning Department dated June 15, 2020 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 Okanagan Opportunity GP, for Lot A, District Lot 139, ODYD Plan EPP82176 at 599 Clement Avenue, Kelowna, BC.

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Okanagan Opportunity (Pacific) GP Inc., for Lot A District Lot 137 ODYD Plan EPP84914 at 1145 Pacific Avenue, Kelowna, BC.

AND FURTHER THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Columbian Centennial Housing Society, Inc no. sS-16825, for Strata Lots #6- #41 of the proposed subdivision of Lot A, District Lot 137, ODYD, Plan EPP88875 at 1165 Sutherland Avenue, Kelowna, BC.

**Purpose:**

To bring forward three rental housing tax exemption agreements in accordance with the Revitalization Tax Exemption Program Bylaw No. 9561 for Council consideration.

**Background:**

Over the last two years Kelowna has seen a considerable improvement in the rental housing vacancy rate, but there continues to be strong demand for rental housing with a growing proportion of Kelowna's population relying on rental housing. Based on the most recent Census, 73% of new households in Kelowna identified as renters, highlighting the importance of adding rental supply to keep pace with population growth and respond to shifting housing preferences.

To encourage the development of purpose-built rental housing the City of Kelowna provides several financial incentives. One of the incentives is the 10-year Revitalization Tax Exemptions (RTE) for purpose-built rental housing where the proponent meets three key requirements:

1. The subject property has a Housing Agreement (for a minimum of 10 years)
2. Development complies with the OCP Future Land Use Designation
3. The subject property is located within the Core Area or one of the designated Village Centres (i.e., Glenmore Valley or University South)

**Discussion:**

All three RTE applications meet the rental housing requirements for RTE applications. The applications conform with the OCP Future Land Use designation and are well served by transit and amenities in the Core Area. The projects at 599 Clement Avenue, 1145 Pacific Avenue and 1165 Sutherland Avenue have existing rental housing agreements with the City of Kelowna that were registered on title prior to receiving their rental housing grants in 2019-2020. All three projects align with the City’s long-term growth management strategy of focusing growth in the Core Area and Urban Centres. The proposed exemptions will be valid for the ten years based on the timing of occupancy for each project. A draft copy of the RTE Agreement for each project is attached for additional details.

**Conclusion:**

Although there is demand for long-term purpose-built rental housing the RTE program does come at a financial cost to the City of Kelowna. Based on a preliminary estimate the total tax revenue associated with the 10-year exemption for the 125 purpose-built rental units is approximately \$740,000 or roughly \$6,000 per unit. For these three projects, staff expect that the bulk of the financial impact will occur from 2022-2031 based on the anticipated occupancy dates for the three projects. An annual revenue impact estimate for each project is provided in the table below.

Property	Project Details	Estimated 10 Year Revenue Impact
599 Clement Ave	58 rental units	\$350,000
1145 Pacific Ave	31 rental units	\$180,000
1165 Sutherland Ave	36 affordable units	\$210,000

To better understand the broader financial impact of RTE program staff will be preparing a report in late summer 2020. This forthcoming report will provide an overview of the financial impact and value of the program and identify options for how the program could be adapted to reflect the changing market conditions to ensure the RTE program continues to deliver the greatest benefit to the community.

**Internal Circulation:**

Supervisor, Revenue  
 Divisional Director, Planning & Development Services  
 Department Manager, 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 for projects located in the Core Area as well as the Glenmore Valley and University South Village Centres.

**Existing Policy:**

Official Community Plan Bylaw No. 10500

Revitalization Tax Exemption Program Bylaw No. 9561, Policy 5.1.3

**Submitted by:** R. Soward, Acting Manager Long Range Policy & Planning

**Approved for inclusion:** D. Noble Brandt, Department Manager of Policy & Planning

**Attachments:**

1. Draft Revitalization Tax Exemption Agreement 599 Clement Avenue
2. Draft Revitalization Tax Exemption Agreement 1145 Pacific Avenue
3. Draft Revitalization Tax Exemption Agreement 1165 Sutherland Avenue