

# REPORT TO COUNCIL



**Date:** July 27, 2020  
**To:** Council  
**From:** City Manager  
**Subject:** Rental Housing Tax Exemption Agreements – July 2020  
**Department:** Policy & Planning

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## **Recommendation:**

THAT Council, receives, for information, the Report from the Acting Manager Long Range Policy Planning dated July 27, 2020 recommending that Council adopt the following Revitalization Tax Exemption Agreements for two rental housing projects.

AND THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with 815 Leon Developments Ltd., Inc. No. BC105909 for Lot A District Lot 138 ODYD, Plan EPP78759 at 815 Leon Avenue, Kelowna, BC.

AND FURTHER THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with PC Urban Clement Holdings Ltd., INC. NO. BC1099980, for Lot A Section 30 Township 26 ODYD PLAN EPP83554, at 740 Clement Avenue and 1195 Richter Street, Kelowna BC.

## **Purpose:**

To bring forward two 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 with the 2019 CMHC Rental Market Report indicating a vacancy rate of 2.7 per cent. However, 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 Exemption (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:**

Both applications meet the rental housing requirements of the RTE Bylaw. The projects are both located in the Core Area near Downtown Kelowna and have entered into a long-term rental housing agreement with the City (subject to Council approval). Further, these projects support the City's broader growth management strategy of directing multi-family and rental housing to areas that are well served by amenities, close to employment centres with good access to sustainable transportation options such as protected bike lanes, frequent transit, and shared mobility.

Although the creation of affordable and attainable housing options remains a key Council priority, the RTE program does come at a financial cost to the City of Kelowna. Based on a high level estimate the total tax revenue associated with the 10-year exemption for the 285 purpose-built rental units is approximately \$2,350,000. A further breakdown of the taxation impact of each project is provided in the table below.

Property	Project Details	Estimated Annual Taxation Impact	Estimated 10-year Revenue Impact
740 Clement Avenue & 1195 Richter Street	158 rental units	\$130,000	\$1,300,000
815 Leon Avenue	127 rental units	\$105,000	\$1,050,000

**Conclusion:**

To better understand the impact of the broader RTE Program, staff will be preparing a report in September 2020. The report will review the financial impacts and associated benefits of the program, identifying options for how parts of the RTE program could be adapted in the future to reflect changing market conditions to ensure the program continues to provide a 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 rental housing for projects located in the Core Area as well as 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 815 Leon Avenue
2. Draft Revitalization Tax Exemption Agreement 740 Clement Avenue and 1195 Richter Street