

BL10566, BL10674 amended SCHEDULE "B" and BL10974 replaced SCHEDULE "B":

SCHEDULE "B" Revitalization Tax Exemption Agreement

THIS AGREEMENT dated for reference the ____ day of _____, 2016 is

BETWEEN:

KELOWNA SUSTAINABLE INNOVATION GROUP
401 - 1447 Ellis Street,
Kelowna, BC, V1Y 2A3
(the "Leasee")

AND:

CITY OF KELOWNA
1435 Water Street,
Kelowna, B.C. V1Y 1J4
(the "City")

GIVEN THAT:

- A. The Leasee is the registered leasee in fee simple of lands in the City of Kelowna at *460 Doyle Avenue, Kelowna, BC, V1Y 2A2* legally described as *Air Space Parcel A, PID: 029-584-477, District Lot 139, ODYD, Air Space Plan EPP44678* (the "Parcel");
- B. Council has established a revitalization tax exemption program and has included within the City of Kelowna Revitalization Tax Exemption Program Bylaw No. 9561 the designation of areas which include the Parcel as a revitalization area; and
- C. The Leasee proposes to construct new improvements on the Parcel as described in Appendix "A" attached to and forming part of this agreement (the "Project") and has applied to the City to take part in the revitalization tax exemption program in respect of the Project and the City has agreed to accept the Project under the program;

THIS AGREEMENT is evidence that in consideration of the promises exchanged below, the Leasee and the City covenant and agree each with the other as follows:

- 1. **The Project** - the Leasee will use its best efforts to ensure that the Project is constructed, maintained, operated and used in a fashion that will be consistent with and will foster the objectives of the revitalization tax exemption program, as outlined in the City of Kelowna Revitalization Tax Exemption Program Bylaw No. 9561.
- 2. **Operation and Maintenance of the Project** - throughout the term of this agreement, the Leasee shall operate, repair and maintain the Project and will keep the Project in a state of good repair as a prudent owner would do.
- 3. **Revitalization Amount** - Refers to the municipal portion of property tax calculated in relation to the increase in the assessed value of improvements on the property resulting from the construction or alterations as outlined in section 1 of this agreement;

4. Revitalization Tax Exemption - subject to fulfilment of the conditions set out in this agreement and in “City of Kelowna Revitalization Tax Exemption Program Bylaw No. 9561”, the City shall issue a revitalization tax exemption certificate (the “Tax Exemption Certificate”) to the British Columbia Assessment Authority entitling the Lessee to a property tax exemption in respect of the property taxes due (not including local service taxes) in relation to the Revitalization Amount on the Parcel (the “Tax Exemption”) for the calendar year(s) set out in this agreement.

5. Conditions - the following conditions shall be fulfilled before the City will issue a Tax Exemption Certificate to the Owner in respect of the Project:

- a. The Lessee must obtain a building permit from the City for the Project on or before September 1, 2015;
- b. The Lessee must complete or cause to be completed construction of the Project in a good and workmanlike fashion and in strict compliance with the building permit and the plans and specifications attached hereto as Appendix “A” and the Project must be officially opened for use as *the Okanagan Centre for Innovation* (the “Exempt Use”) and for no other use, by no later than September 1, 2017;
- c. The Lessee must submit a copy of the Occupancy Permit and Revitalization Tax Exemption Agreement to the City of Kelowna’s Revenue Branch before the City will issue the Tax Exemption Certificate.
- d. The completed Project must substantially satisfy the performance criteria set out in Appendix “B” hereto, as determined by the City’s Urban Planning Manager or designate, in their sole discretion, acting reasonably.

6. Calculation of Calculation of Revitalization Tax Exemption - the amount of the Tax Exemption shall be equal to:

- a) For “Tax Incentive Area 3,” 50% of the Revitalization Amount on a Parce, for a project with a minimum floor area of 3,716 m² (40,000 sq. ft.)

7. Term of Tax Exemption - provided the requirements of this agreement, and of the City of Kelowna Revitalization Tax Exemption Program Bylaw No. 9561, are met the Tax Exemption shall be for the taxation years 2018 to 2027, inclusive.

8. {deleted}

9. Compliance with Laws - the Lessee shall construct the Project and, at all times during the term of the Tax Exemption or any renewal term, use and occupy the Parcel and the Project in compliance with all statutes, laws, regulations and orders of any authority having jurisdiction and, without limiting the generality of the foregoing, all federal, provincial, or municipal laws or statutes or bylaws, including all the rules regulations policies guidelines criteria or the like made under or pursuant to any such laws.

10. Effect of Stratification - if the Lessee stratifies the Parcel or the Project under the *Strata Property Act*, then the Tax Exemption shall be prorated among the strata lots in accordance with the unit entitlement of each strata lot for:

- a. the current and each subsequent tax year during the currency of this agreement if the strata plan is accepted for registration at the Land Title Office before May 1; or
- b. for the next calendar year and each subsequent tax year during the currency of this agreement if the strata plan is accepted for registration at the Land Title Office after May 1;

so long as, where a Housing Agreement exists in relation to the Parcel or the Project which limits ability to stratify, the Housing Agreement is still complied with.

11. **Cancellation** - the City may in its sole discretion cancel the Tax Exemption Certificate at any time:

- a. on the written request of the Leasee; or
- b. effective immediately upon delivery of a notice of cancellation to the Leasee if at any time any of the conditions in the Tax Exemption Certificate are not met.

If such cancellation occurs, the Leasee of the Parcel for which the Tax Exemption Certificate was issued will remit to the City an amount equal to the value of any Tax Exemption received after the cancellation of the Tax Exemption Certificate.

12. **No Refund** - for greater certainty, under no circumstances will the Leasee be entitled under the City's revitalization tax exemption program to any cash credit, any carry forward tax exemption credit or any refund for any property taxes paid.

13. **Notices** - any notice or other writing required or permitted to be given hereunder or for the purposes hereof to any party shall be sufficiently given if delivered by hand or posted on the Parcel, or if sent by prepaid registered mail (Express Post) or if transmitted by facsimile to such party:

- a. in the case of a notice to the City, at:

THE CITY OF KELOWNA
1435 Water Street,
Kelowna, B.C. V1Y 1J4

Attention: Lynn Walter
Fax: 250-862-3391

- b. in the case of a notice to the Leasee, at:

KELOWNA SUSTAINABLE INNOVATION GROUP
401 - 1447 Ellis Street,
Kelowna, BC V1Y 2A3

Attention:
Fax:

Or at such other address as the party to whom such notice or other writing is to be given shall have last notified the party giving the same.

14. **No Assignment** - the Leasee shall not assign its interest in this agreement except to a subsequent owner in fee simple of the Parcel.

15. **Severance** - if any portion of this agreement is held invalid by a court of competent jurisdiction, the invalid portion shall be severed and the decision that it is invalid shall not affect the validity of the remainder of this agreement.

16. **Interpretation** - wherever the singular or masculine is used in this agreement, the same shall be construed as meaning the plural, the feminine or body corporate where the context or the parties thereto so require.

17. **Further Assurances** - the parties hereto shall execute and do all such further deeds, acts, things and assurances that may be reasonably required to carry out the intent of this agreement.

18. **Waiver** - waiver by the City of a default by the Leasee shall be in writing and shall not be deemed to be a waiver of any subsequent or other default.

19. **Powers Preserved** - this agreement does not:

- a. Affect or limit the discretion, rights or powers of the City under any enactment or at common law, including in relation to the use or subdivision of the Parcel;
- b. Affect or limit any enactment relating to the use or subdivision of the Parcel; or
- c. Relieve the Leasee from complying with any enactment, including in relation to the use or subdivision of the Parcel and without limitation shall not confer directly or indirectly any exemption or right of set-off from development cost charges, connection charges, application fees, user fees or other rates, levies or charges payable under any bylaw of the City.

20. **Reference** - every reference to each party is deemed to include the heirs, executors, administrators, personal representatives, successors, assigns, servants, employees, agents, contractors, officers, licensees and invitees of such party, wherever the context so requires or allows.

21. **Enurement** - this agreement shall ensure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

22. Any construction of a new improvement or alteration of an existing improvement as of this bylaw undertaken prior to the application for a Revitalization Tax Exemption will not be eligible for consideration

23. The maximum Revitalization Tax Exemption authorized under this Bylaw must not exceed the Revitalization Amount on the Property between:

- a. the calendar year before the construction or alteration began, as outlined under Section 1 of this agreement; and
- b. the calendar year in which the construction or alteration, as outlined under Section 1 of this agreement, is completed.

24. The Property's assessed value of improvements must not be reduced below the amount assessed in the calendar year prior to construction or alteration, as a result of the Revitalization Tax Exemption.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

Executed by the CITY OF KELOWNA by Its authorized signatories:

Mayor

City Clerk

Executed by KELOWNA SUSTAINABLE INNOVATION GROUP by its Authorized signatories:



Name: Lane Merrifield

Appendix "A": Plans and Specifications
Appendix "B": Performance Criteria

Schedule "C"

Tax Exemption Certificate

In accordance with the City of Kelowna Revitalization Tax Exemption Program Bylaw No. 9561 (the "Bylaw"), and in accordance with a Revitalization Tax Exemption Agreement dated for reference day ____ day of _____, 2016 (the "Agreement") entered into between the City of Kelowna (the "City") and Kelowna Sustainable Innovation Group Ltd. (the "Owner"), the registered owner(s) of Air Space Parcel A, PID: 029-584-477, District Lot 139, ODYD, Air Space Plan EPP44678 (the "Parcel"):

This certificate certifies that the Parcel is subject to a Revitalization Tax Exemption, for each of the taxation years 2018 - 2027 inclusive, equal to:

1. Tax Incentive Area 3, 50% of the Revitalization Amount attributed to Building Permit No. 50005 and 52728 between 2015 (the calendar year before the commencement of construction of the project) and 2018 (the calendar year in which the Revitalization Tax Exemption Certificate is issued).

Any construction of a new improvement or alteration of an existing improvement, on Parcel described above, undertaken prior to the application for a Revitalization Tax Exemption will not be eligible for consideration;

The maximum Revitalization Tax Exemption authorized must not exceed the increase in the assessed value of improvements on the property resulting from the construction or alteration attributed to Building Perm No. 50005 and 52728 between 2015 (the calendar year before the commencement of construction of the project) and 2018 (the calendar year in which the Revitalization Tax Exemption Certificate is issued);

The Property's assessed value of improvements must not be reduced below the amount assessed in the calendar year prior to construction or alteration, as a result of the Revitalization Tax Exemption. The Revitalization Tax Exemption is provided under the following conditions:

1. The Owner does not breach any term condition or provision of, and performs all obligation set out in, the Agreement and the Bylaw;
2. The Owner has not sold all or any portion of his or her equitable or legal fee simple interest in the Parcel without the transferee taking an assignment of the Agreement, and agreeing to be bound by it;
3. The Owner, or a successor in title to the Owner, has not allowed the property taxes for the Parcel to go into arrears or to become delinquent;
4. The Exempt Use (as defined in the Agreement) of the Project is not discontinued;

If any of these conditions are not met then the Council of the City of Kelowna may cancel this Revitalization Tax Exemption Certificate. If such cancellation occurs, the Owner of the Parcel, or a successor in title to the Owner as the case may be, shall remit to the City an amount equal to the value of the exemption received after the date of the cancellation of the certificate.



The Okanagan Centre for Innovation – Executive Summary



The Okanagan Centre for Innovation (OCI) is a community infrastructure project that has been many years in the making and was conceived by a group of sixteen Okanagan community members including entrepreneurs, business executives, members from all levels of government and heads of post-secondary academic institutions.

These community leaders gathered two years ago to discuss "how to create a vibrant entrepreneurial ecosystem in our community." From that meeting came a shared vision and desire to build western Canada's most innovative, creative entrepreneurial and technology community. Inspired in part by the purposeful design and development investments in Pixar's, Apple's and Google's numerous campuses around the world – the concept of the OCI was born.

The OCI will be a hub of innovation, creativity, entrepreneurship and technology; stimulating and diversifying the economy; accelerating new business and job creation while supporting entrepreneurs through a sustainable business model.

For communities to remain economically vibrant they must transition from traditional resource and manufacturing based economic development initiatives to the emerging knowledge-worker economy. For this shift to occur it is essential that entrepreneurs and start-ups get the support needed to build innovative companies and create high paying knowledge-based employment opportunities.

In a 2010 report published by Tim Kane from the Kauffman Foundation, he states that 100% of net job growth in the U.S. comes from entrepreneurial start-ups and that if you took start-ups out of the picture and looked only at large or incumbent businesses, job growth over the last 35 years would actually be negative. In the words of Kauffman's Tim Kane, "When it comes to job growth, start-up companies aren't everything....They're the only thing."

At the heart of the OCI is a technology business incubator that will support entrepreneurs and startups by creating an effective link between talent, technology, funding, mentorship, education and know-how that is essential for the ideation, creation and commercialization of new innovative products and services.

State-of-the-art facilities will include a mix of technology, education, art, culture and music through a variety of shared & individual work areas, creative, lab, social, meeting & performing spaces. Start-up founders, academics and CEO's of existing technology companies will be able to meet and mingle in the common areas along with community members and entrepreneurial leaders ranging from grassroots creative's to leaders of fortune 100 companies.

Creating "collisions" are critical in a healthy, vibrant and growing start-up ecosystem. These often serendipitous, interactive collisions are where ideas and innovation happen. Whether it is business development and mentorship, research and development, access to capital, or training tailored to individual companies, the OCI will house a unique combination of resources that are essential to entrepreneurs starting and growing innovative, creative, technology companies.

The Okanagan's technology industry, now the third largest in the province, (behind only Vancouver and Victoria) is currently generating \$1.0+ B annually (2013) and is poised for significant and continued growth projected to be \$1.7B in 2015. The OCI will be a key driver and provide the necessary infrastructure and resources to ensure that the Okanagan region capitalizes on this opportunity, maximizes its growth potential and is well positioned to compete on the global stage.

The OCI, a \$35M project, will make significant positive impact to the regional economy through the construction phase (\$62M), annual operational phase (\$24M/yr direct employment only) and ongoing impact through business incubation including company and job creation, talent attraction & retention, increased trade & investment activity and industry aligned skills development.

Local academic institutions are committed to the region, and have been expanding year over year. The OCI's partnership with UBC-O and Okanagan College will be key to attracting and developing knowledge workers, and the relationship will continue to expand & evolve based on needs within the region. Through these types of partnerships, the OCI will play an active role in y addressing the "skills-gap" challenge through progressive and immersive educational and training opportunities.

The OCI is being financed through a very unique business model that is being supported by a combination of municipal, provincial and private contributions – with the public contributions being allocated to the business incubation space, digital media lab, community space and related technology infrastructure.

The OCI has successfully secured financial support from the Provincial Government (\$6M) for capital costs related to base construction of the business incubation and community space and a long term land lease from the City of Kelowna.

Through intelligent economic development initiatives like the OCI in partnership with municipal & provincial governments, private industry, academia and community leaders, the Okanagan region will become the best place in western Canada for entrepreneurs to start and grow innovative, creative and technology-based companies.
