

# Report to Council



**Date:** January 11, 2021  
**To:** Council  
**From:** City Manager  
**Subject:** Revitalization Tax Exemption Agreement  
**Department:** Policy & Planning

---

## **Recommendation:**

THAT Council approves the City entering into a Revitalization Tax Exemption Agreement with 1940 Underhill Developments Corp., Inc. No. BC1159386 for Lot A, District Lots 4646 and 127 ODYD Plan EPP104418 located at 1960 Underhill Street, Kelowna, BC in the form attached to the Report from the Planner Specialist, Policy and Planning department dated January 11, 2021;

AND THAT the Mayor and City Clerk be authorized to execute the Revitalization Tax Exemption Agreement on behalf of the City of Kelowna.

## **Purpose:**

To approve a 10-year Revitalization Tax Exemption Agreement for a purpose-built rental housing project in accordance with the Revitalization Tax Exemption Program.

## **Background:**

Over the last two years Kelowna has seen many rental housing units added to the rental housing supply, easing the rental housing vacancy rate. However, there continues to be strong demand for rental housing with a growing proportion of Kelowna's population living in rental housing. Based on the most recent Census, 73% of new households in Kelowna identified as renters, highlighting the importance of adding long-term rental units to keep pace with population growth and 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 proponents meet 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:**

The 1960 Underhill Street project meets the criteria for a rental housing tax exemption. The application conforms with the OCP Future Land Use designation and is well served by transit and amenities in the Core Area. The project has entered into a rental housing agreement (subject to council approval) and its location in the Midtown Urban Centre aligns with the City's long-term growth management strategy. The proposed revitalization tax exemption will be valid for ten years based on occupancy of the units. A draft copy of the RTE Agreement for the project is attached for additional details.

**Conclusion:**

Although there is continued 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 annual tax revenue impact for this project and the 295 purpose-built rental units is approximately \$177,000 which translates to an annual tax impact of \$600 per unit. For this project, staff expect that the bulk of the financial impact will be from 2025-2034 based on the anticipated occupancy dates for this three building rental housing development.

Property	Project Details	Estimated 10-year Revenue Impact
1960 Underhill Street	295 rental units (three separate buildings)	\$1,770,000

**Internal Circulation:**

Revenue Department  
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 project meets the following criteria:

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)

**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, Policy and Planning

**Approved for inclusion:**



J. Moore. Manager Long Range Policy Planning

**Attachments:**

Draft Agreement RTE20-005 – 1960 Underhill Street