

Report to Council



Date: November 22, 2021
To: Council
From: City Manager
Subject: Heritage Building Tax Exemption Agreement Bylaw – 1781 Abbott Street
Department: Policy & Planning

Recommendation:

THAT Council receives, for information, the report from the Policy & Planning department dated November 22, 2021 regarding the Heritage Building Tax Exemption Agreement for the Murchison House, located at 1781 Abbott Street;

AND THAT Bylaw No. 12275 authorizing a Heritage Building Tax Exemption Agreement between the City of Kelowna and Davara Holdings Ltd, for Lot 2 District Lot 14 ODYD Plan 2614, located at 1781 Abbott Street, be forwarded for reading consideration;

AND FURTHER THAT the Mayor and City Clerk be authorized to execute the Heritage Building Tax Exemption Agreement.

Purpose:

To authorize a Heritage Building Tax Exemption Agreement for a heritage revitalization project located at 1781 Abbott Street in accordance with Council Policy No. 318.

Background:

As per Council Policy No. 318, the City of Kelowna is committed to the ongoing restoration, rehabilitation, and maintenance of buildings on the Kelowna Heritage Register. The City acknowledges that the conservation of heritage buildings can be cost prohibitive and created the Heritage Building Tax Incentive Program Policy to help mitigate these costs.

The Heritage Building Tax Incentive Program applies a municipal tax exemption to costs associated with heritage assets including, but not limited to, conservation and repair of architectural elements, reconstruction of historical features, structural rehabilitation, and consulting fees. The Tax Exemption is provided annually over a 10-year period and covers 75% of the project's eligible costs. To be eligible for a Heritage Building Tax Exemption, the following criteria apply:

1. A proponent must enter into a Heritage Building Tax Exemption Agreement bylaw with the City of Kelowna.
2. Properties must be listed on the City of Kelowna Heritage Register and be Designated as heritage properties under Section 611 of the Local Government Act.

3. Properties must be available for occupancy after the restoration or rehabilitation and be used for any use other than single or two family residential.
4. The property owner must not be in arrears in payment of taxes.
5. Institutionally zoned properties currently receiving a municipal tax exemption are not eligible.

Discussion:

The Heritage Building Tax Exemption Agreement for Council consideration today is for a heritage revitalization project at 1781 Abbott Street. This project is currently underway, and seeks to rehabilitate and reconfigure the historic Murchison House to accommodate commercial office use, which is in alignment with the goals of Council Policy No. 318. The property is protected through a Heritage Revitalization Agreement (Bylaw No. 11923) and a Heritage Designation Bylaw (Bylaw No. 11946), both of which were approved in October 2020. The property is also on the Heritage Register and meets all other relevant criteria to qualify for a Heritage Building Tax Exemption.

The estimated eligible expenses provide by the applicant total \$582,573.04. The Heritage Building Tax Exemption would be applicable to 75% of these costs, or \$436,573.04. The tax incentive would be applied evenly over a term of 10 years. The actual annual municipal cost of the tax exemption (based on 2021 assessments, the provided budgeted costs and 2021 tax rates) is approximately \$5,675. Should Council approve the Heritage Building Tax Exemption, the applicant would provide a list of final costs upon completion of the work, and the actual tax exemption would be based on the finalized costs to a maximum of \$436,573.04.

According to Council Policy No. 318, the applicant would have been required to submit two cost estimates detailing the conservation work for approval before commencement of the work. In this case, some work began prior to the property owner formally submitting the tax exemption request. However, the applicant has been working with staff on this application for over two years with the intention of applying for a Heritage Building Tax Exemption, therefore, in this case, staff are recommending that Council consider and support the tax exemption request.

Conclusion:

This project aligns with the City's ongoing commitment to the restoration, rehabilitation, and maintenance of buildings on the Kelowna Heritage Register. The project meets applicable criteria and represents adaptive reuse of a unique heritage asset in alignment with the *National Standards and Guidelines for Conservation*. Overall, staff recommend support for the Heritage Building Tax Exemption Agreement.

Internal Circulation:

Development Planning
Policy and Planning
Financial Services

Considerations applicable to this report:

Legal/Statutory Authority:

Local Government Act

Part 15 – Heritage Conservation

Existing Policy:

*Heritage Building Tax Incentive Program Policy No. 318
Official Community Plan Heritage Policies*

Objective 9.2 Identify and conserve heritage resources.

Policy .3 Financial Support. Continue to support the conservation, rehabilitation, interpretation, operation and maintenance of heritage assets through grants, incentives and other means.

Financial/Budgetary Considerations:

Tax exemptions are not financed through a budgetary line item in the same way as municipal spending. An increase in the value of tax exemptions increases the taxes paid by properties that are not tax exempt. Once the project is completed, the actual annual municipal cost of the tax exemption will be included in the City of Kelowna's Annual Report.

Submitted by:

A. Janousek, Planner II

Approved for inclusion:



J. Moore, Long Range Policy Planning Manager

cc:

Legislative Coordinator
Revenue Supervisor

Attachments:

Schedule A – Draft Heritage Building Tax Exemption Agreement