

Report to Council



Date: March 7, 2022
To: Council
From: City Manager
Subject: Revitalization Tax Exemption Agreements and Rental Housing Agreement Bylaw
Department: Policy and Planning

Recommendation:

THAT Council receives for information, the report from Policy & Planning Department dated March 7, 2022 recommending that Council adopt the following Revitalization Tax Exemption Agreements and Housing Agreement;

THAT Council approves the City entering into a Revitalization Tax Exemption Agreement with Mission Group Holdings Ltd. Inc. No. BC0993483 for Lot 1 District Lot 139 ODYD Plan EPP96156, Except Plan EPP103477, located at 1488 Bertram Street Kelowna BC, in the form attached to the Report from the Planner Specialist dated March 7, 2022;

AND THAT Council approves the City entering into a Revitalization Tax Exemption Agreement with 1295991 B.C. LTD., INC. No. BC1295991 for Lot 1 District Lot 129 ODYD Plan KAP47562, located at 1994 Springfield Road Kelowna BC, in the form attached to the Report from the Planner Specialist dated March 7, 2022;

AND THAT the Mayor and City Clerk be authorized to execute the Revitalization Tax Exemption Agreements, in the form attached to the Report from the Planner Specialist dated March 7, 2022 on behalf of the City of Kelowna;

AND THAT Bylaw No. 12329 authorizing a Housing Agreement between the City of Kelowna and 1295991 B.C. LTD., INC. No. BC1295991 which requires the owners to maintain 195 dwelling units as rental housing for 10 years for Lot 1 District Lot 129 ODYD Plan KAP47562, located at 1994 Springfield Road Kelowna BC, be forwarded for reading consideration.

Purpose:

To bring forward for authorization two Revitalization Tax Exemption Agreements and one Housing Agreement Bylaw in accordance with Revitalization Tax Exemption Bylaw No. 9561.

Background:

The Revitalization Tax Exemption (RTE) program is in place to encourage new residential and commercial development in strategic areas as well as to encourage construction of purpose-built rental housing throughout the core area of the City. Projects that meet eligibility criteria outlined in Bylaw No. 9561 may apply for a 10-year tax exemption. This includes a requirement to enter into a Housing Agreement for purpose built rental housing projects. Applications for the RTE program are accepted throughout the year and then twice a year are brought forward as a group to Council for consideration.

Discussion:

Staff are in receipt of two RTE applications. Both meet the eligibility criteria from Revitalization Tax Exemption Bylaw No. 9561 to qualify for the program. They are described separately below:

The first project (RTE21-0005) at 1488 Bertram Street is located Downtown in the City Centre Urban Centre. This large mixed-used project contains two separate towers: a 28-storey tower with 257 residential units in 263,000 square feet, an 11-storey tower with 88,422 square feet of office space, ground floor retail space of 15,346 square feet, and a 5-level parkade. The project complies with the C7 – Central Business Commercial Zone and was granted Development Permit approval by Council on June 2, 2020. A building permit has been issued and construction has commenced.

The project is located within "Tax Incentive Area 2" pursuant to Schedule A of Bylaw No. 9561 which, because of the size of the project, allows for a tax exemption on 100% of the improvements to the property. The applicant has provided a supporting letter and signed RTE Agreement (Attachment A and B).

The second project (RTE22-0001) is a purpose-built rental building located in the southwest corner of the Midtown Urban Centre at 1994 Springfield Road. This project contains 195 dwelling units in 123,500 square feet, a single level parkade, and a small 1,280 square foot commercial area. The project complies with the C4 – Urban Centre Commercial zoning and was granted Development Permit approval by Council on November 16, 2021. A building permit application has been made and review is in progress.

This latter project is located within the "Purpose Built Rental Housing" Tax Incentive Area pursuant to Schedule A of Bylaw No. 9561, which allows for a tax exemption on 100% of the improvements to the rental housing component of the property (less the commercial space). The applicant has provided a supporting letter and signed RTE Agreement (Attachment C and D).

To qualify for the purpose-built rental housing tax exemption, the latter project (RTE22-0001) must also enter into a 10-year Housing Agreement with the City. The Housing Agreement becomes a bylaw and is registered on title. Its purpose is to secure the use of the market rental units for a minimum of ten years (concurrent with the timeframe of the RTE) and prohibits stratification. This ensures that the financial incentive is matched with the commitment to provide rental housing. After 10 years, the owner may apply to discharge the Housing Agreement. The draft housing agreement is contained within Attachment D.

The anticipated tax revenue impact of the proposed tax exemptions is detailed below:

Project Location	Project Details	Estimated 10-year Revenue Impact	Tax Area
1488 Bertram Street (RTE21-0005)	257 residential units, 88,422 sq.ft. office, 15,346 sq.ft. commercial space.	\$6,239,000	Tax Incentive Area 2
1994 Springfield (RTE22-0001)	195 residential units, 1,280 sq.ft commercial space	\$1,642,500	Purpose Built Rental Housing Area

Conclusion:

Both projects reflect the objectives of RTE Bylaw No. 9561, specifically to encourage new residential and commercial development, to reinforce the prominence and importance of urban centres within Kelowna, and to encourage a supply of purpose built rental housing. Understanding that the fiscal impact of the Revitalization Tax Exemption program is significant, and that patterns of development within the City have evolved since the program's inception – particularly in the downtown incentive areas – staff intend to undertake a process to evaluate the RTE program. Consideration will be taken to compare the objectives of the RTE program against its outcomes, consider tax impacts, and take account of where incentives are truly needed and where impact can be most effective. A report outlining the results of this process and findings, alongside any recommended changes, will be brought forward to Council later in 2022.

Internal Circulation:

Financial Services
Policy & Planning
Development Planning
City Clerk

Considerations applicable to this report:

Legal/Statutory Authority:

Revitalization Tax Exemption Program Bylaw No. 9561, 2006
Community Charter, Division, Section 226
Local Government Act, Section 483

Legal/Statutory Procedural Requirements:

Revitalization Tax Exemption Program Bylaw No. 9561, 2006

Existing Policy:

Kelowna Official Community Plan Bylaw No. 12300:

Policy 4.4.7. Downtown Revitalization Tax Exemption. Continue to support a revitalization tax

exemption program to encourage investment Downtown.

Objective 5.11. Increase the diversity of housing forms and tenure to create an inclusive, affordable and complete Core Area.

Policy 5.11.2. Diverse Housing Tenures. Encourage a range of rental and ownership tenures that support a variety of households, income levels and life stages. Promote underrepresented forms of tenure, including but not limited to co-housing, fee-simple row housing, co-ops, and rent-to-own.

Considerations not applicable to this report:

Financial/Budgetary Considerations:

External Agency/Public Comments:

Communications Comments:

Submitted by: D. Sturgeon, Planner Specialist

Approved for inclusion:



J. Moore, Manager of Long Range Policy and Planning

Attachments:

- A. Applicant Letter for RTE21-0005 (Mission Group for 1488 Bertram Street)
- B. Draft Revitalization Tax Exemption Agreement 21-0005 (1488 Bertram Street)
- C. Applicant Letter for RTE22-0001 (Westpoint Projects for 1994 Springfield Road)
- D. Draft Revitalization Tax Exemption Agreement 22-0001 (1994 Springfield Road)