

Report to Council



Date: January 16, 2023
To: Council
From: City Manager
Subject: Revitalization Tax Exemption Agreements and Rental Housing Agreement Bylaws
Department: Policy and Planning

Recommendation:

THAT Council approves the City entering into a Revitalization Tax Exemption Agreement with 1297889 BC LTD for Lot A Section 27 Township 26 ODYD Plan EPP85221, located at 155 Bryden Road, Kelowna, BC in the form attached to the Report from Policy and Planning dated January 16, 2023;

AND THAT Council approves the City entering into a Revitalization Tax Exemption Agreement with 0838239 BC LTD for Lot B Sections 26 & 27 Township 26 ODYD Plan KAP30302, located at 235 Hollywood Road N, Kelowna, BC in the form attached to the Report from Policy and Planning dated January 16, 2023;

AND THAT Council approves the City entering into a Revitalization Tax Exemption Agreement with Ironclad Developments Missions Heights Holdings Inc., No. A0119488 for Lot B District Lots 128 and 142 ODYD Plan KAP85660, located at 2241 Springfield Road, Kelowna, BC in the form attached to the Report from Policy and Planning dated January 16, 2023;

AND THAT the Mayor and City Clerk be authorized to execute the Revitalization Tax Exemption Agreements, in the form attached to the Report from Policy and Planning dated January 16, 2023 on behalf of the City of Kelowna;

AND THAT Bylaw No. 12471 authorizing a Housing Agreement between the City of Kelowna and 1297889 BC LTD which requires the owners to maintain 192 dwelling units as rental housing for 10 years for Lot A Section 27 Township 26 ODYD Plan EPP85221, located at 155 Bryden Road, Kelowna, BC be forwarded for reading consideration;

AND FURTHER THAT Bylaw No. 12472 authorizing a Housing Agreement between the City of Kelowna and Ironclad Developments Missions Heights Holdings Inc., No. A0119488 which requires the owners to maintain 401 dwelling units as rental housing for 10 years for Lot B District Lots 128 and 142 ODYD Plan KAP85660, located at 2241 Springfield Road, Kelowna, BC be forwarded for reading consideration.

Purpose:

To approve three Revitalization Tax Exemption Agreements and two Housing Agreement Bylaws in accordance with Revitalization Tax Exemption Bylaw No. 9561.

Background:

The purpose of the Revitalization Tax Exemption (RTE) program is broadly twofold:

1. To encourage and incentivize new residential and commercial developments in strategic areas of Urban Centres to reinforce their prominence, importance and vitality;
2. To encourage and incentivize the construction of new purpose-built rental housing throughout the Core Area and identified Village Centres to increase housing diversity and rental housing stock.

The program was established in 2006 with the adoption of Revitalization Tax Exemption Bylaw No. 9561. Development proposals that meet the eligibility criteria of the bylaw may apply for a 10-year tax exemption. The tax that is exempted is the municipal portion which results from the increase in the value of the improvements on the property following new [eligible] development. Additionally, the Province of BC exempts the School Tax portion of property tax from Purpose Built Rental projects. To date, more than 45 developments, including over 3,000 rental apartments, have benefited from the RTE program.

The type and amount of tax exemptions varies based on location and the land use of the project. Locations of the exemption areas are shown in Attachment A and described below:

	Incentive Area 1	Incentive Area 2	Incentive Area 3	Purpose Built Rental Incentive Area**
Location:	Downtown	Downtown	Rutland	Core Area (Portion)
Exemption Amount:	100% of the value of the improvements of any land use.	Developments greater than 40,000sq.ft.: 100% of the value of improvements of any land use Developments smaller than 40,000 sq.ft: 75% of the value of residential uses and 50% of the value of commercial uses	100% of the value of the improvements of any land use.	100% of the value of the improvements related to purpose built rental housing. **Projects must also enter into a 10 year Housing Agreement requiring rental only tenure while prohibiting stratification or individual sale of units.

Applications to participate in the RTE program for a particular project can be made up to the point that a building permit is issued. Applications are brought to Council twice a year for consideration. All applications which meet the minimum criteria are brought to Council and recommended for approval. The exemptions takes effect in the year following the completion of construction. A standard agreement format (taken from Bylaw 9651 and modified for each project) is used.

Discussion:

Staff are in receipt of three individual RTE applications. All three meet the eligibility criteria stated in Revitalization Tax Exemption Bylaw No. 9561 to qualify for the program. All are recommended to be

approved. Each project is listed below with brief details and the anticipated 10-year tax impact of the individual exemptions. Signed RTE agreements for each project are contained in Attachments B – D.

Project Location & File Number(s)	Tax Incentive Area	Project Details	Zoning	Estimated Annual Tax Revenue Impact
155 Bryden Road RTE22-0002 DP21-0112 (Approved November 16, 2021)	Purpose Built Rental Housing	192 residential units, 195 parking stalls, 2,780m ² outdoor amenity space.	MF3r – Apartment Housing Rental Only Zone	\$68,832
235 Hollywood Road N RTE22-0003 DP20-0055 (Approved May 11, 2020)	Rutland (Area 3)	95 residential units, 218 parking stalls, 177 m ² of outdoor amenity space, and 923m ² commercial space	UC4 – Rutland Urban Centre Zone	\$84,979 (including commercial space)
2241 Springfield Road RTE22-0004 DP21-0231 (Approved August 23, 2022)	Purpose Built Rental Housing	401 residential units, 5,898m ² outdoor amenity space, and 679 m ² of commercial space.	UC3r – Midtown Urban Centre Rental Only Zone	\$328,768 (excluding commercial space)

To qualify for the purpose-built rental housing tax exemption, the first and last projects listed above (RTE22-0002 and RTE22-0004) must also enter into a 10-year Housing Agreement with the City. This tool ensures that the financial incentive of the RTE is matched with the commitment to provide long-term rental housing. When the RTE agreement is expired, the owner may apply to discharge the Housing Agreement. The draft housing agreements are contained with Attachments B and D.

Conclusion:

These three projects reflect the objectives of RTE Bylaw No. 9561: 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. Particularly, they support the construction of 688 additional purpose built rental housing units which are much needed additions in the context of an extremely low vacancy rate and above average increases for rental costs across the City.

Internal Circulation:

Revenue 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
School Act, Section 129

Legal/Statutory Procedural Requirements:

Revitalization Tax Exemption Program Bylaw No. 9561, 2006

Existing Policy:

Kelowna Official Community Plan Bylaw No. 12300:

Objectives 4.12. and 5.11. Increase the diversity of housing types and tenures to create inclusive, affordable and complete Urban Centres and Core Area.

Policy 4.7.6. Rutland Revitalization Tax Exemption: Continue to support a revitalization tax exemption program to encourage investment in Rutland.

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

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. Tax Incentive Area Maps (Schedule A of Bylaw No. 29561)
- B. Draft Revitalization Tax Exemption Agreement RTE22-0002 (155 Bryden Road) (With Appendices)
- C. Draft Revitalization Tax Exemption Agreement RTE22-0003 (235 Hollywood Road N) (With Appendices)
- D. Draft Revitalization Tax Exemption Agreement RTE22-0004 (2241 Springfield Road) (With Appendices)