

# Report to Council



**Date:** October 24, 2016  
**File:** 1220-02/1125-31-013  
**To:** City Manager  
**From:** Ross Soward, Planner Specialist  
Graham Hood, Manager, Strategic Land Development  
**Subject:** 1745 Chapman Place Revitalization Tax Exemption

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## **Recommendation:**

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Ki-Low-Na Friendship Society, for Lot 2, District Lot 139, ODYD, Plan KAP92715 Except Plan EPP40150 at 1745 Chapman Place, Kelowna, BC, in the form attached to the report from the Planner Specialist and Manager, Strategic Land Development dated October 24, 2016;

AND THAT Council authorize the Manager, Strategic Land Development, to amend the lease as outlined in the report to Council from the Planner Specialist and Manager, Strategic Land Development, dated October 24, 2016;

AND FURTHER THAT the Mayor and City Clerk be authorized to execute all documents necessary to complete this transaction.

## **Purpose:**

To enter into a 10-year Revitalization Tax Exemption Agreement with Ki-Low-Na Friendship Society for purpose-built rental housing in accordance with Revitalization Tax Exemption Program Bylaw No. 9561 and to amend the Ground Lease between the City of Kelowna, BC Housing and the Ki-Low-Na Friendship Society to allow for the provision of a revitalization tax exemption.

## **Background:**

The subject property is designated as MRM - Multiple Unit Residential (Medium Density) in the Official Community Plan (OCP) and is zoned CD22 - as per the Central Green Comprehensive Development Zone. The Building Permit was submitted on February 18, 2015 and was issued by the City on May 19<sup>th</sup> of 2015. Occupancy for the subject property is anticipated for October

28, 2016. The project is in the Purpose-Built Rental Housing Projects category as described by the Revitalization Tax Exemption Program Bylaw No. 9561. In this category, projects will be considered for a tax incentive as long as:

1. The vacancy rate is at or below 3%
2. The subject property has a Housing Agreement (for up to 10 years)
3. Are in compliance with the OCP Future Land Use designation.

Over the last few years, rental housing has been in great demand. According to CMHC at the end of 2015 the total vacancy rate in the Kelowna CMA was 0.7% compared to 1.0% the year prior. Therefore, the vacancy rate requirement is met. Also, the applicant received Council approval of a housing agreement for the project on May 9<sup>th</sup> of 2016, meeting the requirement of a minimum ten-year commitment of operating the project as purpose-built rental housing. Lastly, the subject property is in compliance with the OCP Future Land Use designation. With all requirements met the property is qualified to receive 100% of the Revitalization Amount on the parcel. The exemption will be valid for the tax years 2017-2026. A draft copy of the Revitalization Tax Exemption Agreement is attached as Schedule A.

In March of 2015, the City entered into a 60-year Ground Lease (Schedule "B") with BC Housing and the Ki-Low-Na Friendship Society for a 0.73-acre parcel of land located at 1745 Chapman Place in the Central Green Neighborhood. The City is providing the land for this development at no cost in exchange for a covenant requiring the development of affordable housing on the land. Ki-Low-Na is expecting occupancy for the development to occur in November of this year. The developer has recently made application for the City's Revitalization Tax Exemption program which would result in an exemption for the municipal portion of taxes for the improvements to the site. Clause 3.2 of the Ground Lease requires that the developer make payment of an amount equal to any tax exemption provided in the form of ground rent, thus negating the value of any such exemption. Staff are requesting clause 3.2 of the ground lease be amended so that no rent would be payable should a revitalization tax exemption be provided for this project.

**Internal Circulation:**

Revenue Manager, Financial Services  
Divisional Director, Community Planning & Real Estate

**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 vacancy rate for rental housing is at three per cent or lower.

**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  
G. Hood, Manager, Strategic Land Development

**Approved for inclusion:** D. Gilchrist, Divisional Director, Community Planning & Real Estate

**Attachments:** 1. Schedule A - Draft Revitalization Tax Exemption Agreement  
2. Schedule B - Ground Lease

**cc:** G. Davison, Director, Financial Services  
M. Friesen, Acting Revenue Manager, Financial Services