

Report to Council



Date: May 26, 2025
To: Council
From: City Manager
Subject: Revitalization Tax Exemption – Program Updates
Department: Housing Policy & Programs

Recommendation:

THAT Council receives, for information, the report from the Housing Policy and Programs Department dated May 26, 2024, with respect to amendments to the Revitalization Tax Exemption Program Bylaw No. 12561;

AND THAT Bylaw No. 12758 being Amendment No. 3 to the Revitalization Tax Exemption Program Bylaw No. 12561 be advanced for reading consideration;

AND THAT Bylaw No. 12777 being Amendment No. 4 to the Revitalization Tax Exemption Program Bylaw No. 12561 be advanced for reading consideration;

Purpose:

To consider amendments to the Revitalization Tax Exemption Program Bylaw No. 12561.

Council Priority Alignment:

Affordable Housing

Background:

The Housing Action Plan (HAP) aims to address the community's pressing housing challenges across the interconnected segments of the housing system, referred to as the Housing Wheelhouse. Improvements in any segment of the Wheelhouse benefit the housing system as a whole. 26 individual actions have been identified as part of the HAP, including revising rental housing tax exemptions (Action 2.4).

The Revitalization Tax Exemption (RTE) program provides tax exemptions for purpose-built rental housing. Eligible projects can receive a tax exemption on the municipal portion of property tax attributable to the increase in property value resulting from development of a property for 10 years. When the City grants an RTE for purpose-built rental housing, the Province also exempts the School Tax portion of property tax.

The aim of the RTE program is to meet the demand for rental housing by encouraging development of purpose-built rental housing projects. It supports the financial viability of rental projects by reducing operating costs for the first 10 years of the lifecycle of a rental project.

Previous Council Resolution

On April 7, 2025, [Council considered a report](#) providing an update on the Revitalization Tax Exemption (RTE) Program, including data regarding RTE applications received since the current RTE Bylaw was adopted in August 2023. Additionally, the report provided recommendations to update the proposed program. After consideration, Council deferred consideration of the associated bylaws.

Resolution	Date
THAT consideration of agenda items 6.4, 6.5, and 6.6 be deferred to a later date.	April 7, 2025

Discussion:

Staff recommend several changes to the proposed RTE program as outlined below. The proposed changes align with the City's Official Community Plan and are an identified action in the Housing Action Plan.

As a result of previous Council consideration of the proposed RTE program updates, staff have removed the recommendation to suspend RTEs when the vacancy rate exceeds a certain threshold. Staff will continue to monitor the rental housing market to determine the effectiveness of the City's development incentives and provide annual updates to Council.

Proposed Program Updates:

1. Eligibility for co-operative housing

It is proposed to add co-operative housing as an additional form of tenure that would be eligible for a tax exemption to help encourage new construction of this housing type. Co-op housing provides an alternative housing tenure which can provide long-term affordability, as without a profit motive, housing costs tend to be cheaper than comparable private market rentals. Staff are aware of three existing housing co-operatives in Kelowna consisting of 146 units. The most recent was constructed in 2001.

This change aligns with OCP Policy which encourages promoting underrepresented forms of tenure like co-ops.

2. Additional Support for Non-Profit Rental Housing

It is proposed to add a tax exemption for the land value of non-profit rental housing, in addition to the existing tax exemption for the value of improvements. This is expected to provide a benefit to non-profit rental housing between 10% to 50% additional tax impact per year.

When there is a legal restriction (e.g.: Housing Agreement) registered on the title of a non-profit rental housing property, BC Assessment applies a discounted assessment value to the improvements on that property, limiting the beneficial impact of an RTE.

3. Expansion of Eligibility Boundaries

It is proposed to increase the eligibility boundaries to the entire Permanent Growth Boundary. Currently, RTEs are limited to the City's Core Area and the University Village Centre.

Expanding the boundaries of the RTE program would incentivize rental housing projects in portions of the City that are not currently eligible, but are designated for multi-unit residential development, such as the Ponds Village Centre, Black Mountain Village Centre, Wilden, and McKinley Beach. These areas typically do not have many rental housing options. Despite the boundary expansion, as portions of the City outside the Core Area are generally not 'pre-zoned' for multi-unit residential development, Council approval would still be required through a rezoning process to the appropriate zone and associated Rental Only subzone.

Additional Amendment

In addition to the general changes to the RTE program, it is proposed to add a transitional provision to allow a project that already has an Occupancy Permit to apply for an RTE. The developer of that project has raised concerns about communication issues with the City that did not allow them to submit an application at the appropriate time. If the bylaw changes are approved, the specific application would be considered on its own merits once an application has been received.

Considerations applicable to this report:

Legal/Statutory Authority:

Community Charter, Division 7 – Permissive Exemptions

Legal/Statutory Procedural Requirements:

Pursuant to section 226(1)(6) of the *Community Charter*, a Revitalization Tax Exemption Program Bylaw may only be adopted after:

- public notice has been given in accordance with section 227 of the *Community Charter*; and
- Council has considered the bylaw in conjunction with the objectives and policies set out in Schedule B - Property Tax Exemptions of the Five-Year Financial Plan Bylaw.

Staff have reviewed the Five-Year Financial Plan Bylaw and advise that the proposed amendments are consistent with the objectives and policies set out therein. Should the proposed amendments receive reading consideration, staff will ensure that the required public notification process is completed before the bylaws are brought forward for final adoption.

Existing Policy:

1.1 Official Community Plan (OCP)

Objective 4.12 Increase the diversity of housing types and tenures to create inclusive, affordable and complete Urban Centres.	
Policy 4.12.3 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.
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.

Objective 6.9 Encourage housing forms that support students, faculty and staff of nearby employment centres.	
Policy 6.9.2 Range of Housing Tenures	Support a range of rental and ownership tenures that support a variety of households and income levels. In addition, support underrepresented forms of tenure, including but not limited to co-housing, fee-simple row housing, co-ops, and rent-to own.
Objective 6.10 Prioritize the construction of purpose-built rental housing.	
Policy 6.10.1 Housing Tenure Diversity	Support the development of rental housing in the Gateway District, within UBCO and the University South Village Centre.

1.2 Housing Action Plan

2.4		Revise rental housing tax exemptions: the City of Kelowna provides a 100 percent municipal tax exemption on the “revitalization amount” for ten years for new purpose-built rental housing. This exemption is part of a larger revitalization tax exemption program. The City is looking to expand this exemption to: <ul style="list-style-type: none"> • Include other forms of tenures that support long-term affordability, including co-operative rental housing; • Include areas of the City outside of the Core Area and Village Centres; and • Include an exemption for land value for affordable housing projects. 	Housing with Supports: <ul style="list-style-type: none"> • Long-Term Supportive Housing • Subsidized Rental Housing Market Housing: <ul style="list-style-type: none"> • Rental Housing
Direct Action			

Financial/Budgetary Considerations:

The total estimated tax impact of the RTE program for the 2025 fiscal year is \$3.768 million, and \$4.043 million for 2026. This estimate does not include any of the expansions to the program described in this report.

The proposed expansion of the program is expected to increase uptake and add additional impact to taxation:

- *Eligibility of co-operative housing:* While an RTE may help incentivize new co-operative housing, significant uptake of RTEs for co-operative housing is not expected given that the most recent co-operative housing project in Kelowna was constructed greater than 20 years ago. This would limit the financial impact of the expanded program. While there are groups interested in the development of co-operative housing in the Okanagan, staff are not aware of new co-operative housing projects that are close to an application at this time.
- *Additional support for non-profit rental housing:* The additional tax impact of exempting the value of land for non-profit rental housing varies on a case-by-case basis, but would likely vary between an additional 10% and 50% depending on the specific development.
- *Expansion of eligibility boundaries:* Development of multi-unit residential rental projects outside of the Core Area is limited given that very little land is designated in the OCP for this purpose. Only one rental housing project containing 164 units has been approved outside of the current eligibility boundaries since the current OCP was adopted on January 10, 2022. Two projects containing 190 units outside of the eligibility boundaries are currently in-stream. Staff are aware of forthcoming

projects in the Black Mountain and Dilworth areas that may be eligible (pending Council approval) and consist of 1,000+ additional units, but uptake would be expected over an extended period of time.

The following four years will see some RTEs expiring, at an estimated total of \$950,486 in tax relief on an ongoing basis:

- 2025 - \$42,715
- 2026 - \$23,459
- 2027 - \$174,835
- 2028 - \$709,477

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements:

Consultation and Engagement:

Communications Comments:

Submitted by: M. Tanner, Planner Specialist

Approved for inclusion: J. Moore, Housing Policy & Programs Manager
R. Smith, Divisional Director, Planning, Climate Action & Development Services

Attachments:

Schedule A: Proposed Text Amendments – Program Updates

Schedule B: Proposed Text Amendments – Additional Amendment