

Report to Council



Date: May 1, 2017
File: 1220-02
To: City Manager
From: Ross Soward, Planner Specialist
Subject: Rental Housing Revitalization Tax Exemption Agreements

Recommendation:

THAT Council, receives, for information, the Report from the Planner Specialist dated May 1, 2017 recommending that Council adopt the following Revitalization Tax Exemption Agreements for five rental housing projects.

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Al Stober Construction Ltd, for Lot A, District Lot 141, ODYD, Plan EPP63348 at 1545 Bedford Avenue, Kelowna, BC,

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with 1067683 B.C. Ltd, for Lot B, Section 33 Township 26, ODYD, Plan 22004 Except Plan EPP65658 at 1975 Kane Road, Kelowna, BC,

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with 1920 Enterprise Way - Mission Group Rentals Ltd, for Lot C, District Lot 140, ODYD, Plan KAP58184 at 1920 Enterprise Way, Kelowna, BC,

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with U Five - Mission Group Rentals Ltd, for Lot A, Section 3 Township 23, ODYD, Plan EPP64623 at 755 Academy Way, Kelowna, BC

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Highstreet Mission Flats Apartments Ltd, for Lot A, District Lot 131, ODYD, Plan KAP86112 at 1459-1469 KLO Road, Kelowna, BC, in the form attached to the report from the Planner Specialist, dated April 24, 2017;

AND THAT Council authorizes the Mayor and City Clerk to execute each of the Rental Housing Revitalization Tax Exemption Agreements.

Purpose:

To bring forward five 10-year Revitalization Tax Exemption Agreements for approval to support the purpose-built rental housing projects identified in the report from the Planner Specialist, dated May 1, 2017 in accordance with Revitalization Tax Exemption Program Bylaw No. 9561

Background:

Over the last four years, the Kelowna's rental housing market has been under significant pressure. As one of the fastest growing regions in Canada the demand for purpose-built rental housing outpaced the rental housing supply. According to Canada Mortgage and Housing Corporation (CMHC), the 2016 the vacancy rate in the Kelowna CMA was 0.5% compared to the City's goal of 3.0%+ as a healthy rental market. In order to encourage the development of purpose-built rental housing the City of Kelowna provides a number of financial incentives. One of the incentives is for 10-year revitalization tax exemptions for purpose-built rental housing where the proponent meets three requirements:

1. The vacancy rate is at or below 3%
2. The subject property has a Housing Agreement (10-year minimum)
3. Development in compliance with the OCP Future Land Use designation.

All five of the projects (in table below) meet the criteria for revitalization tax exemption applications. All five projects have Housing Agreements in place, subject to final Council approval. The City's rental housing vacancy rate is currently below 3% and all projects are in compliance with the OCP future land use designation. The exemption for all five projects will be valid for the ten years based on occupancy of each individual project. The draft Revitalization Tax Exemption Agreements for the five projects are attached for reference.

Although there is a significant need and demand for rental housing, the Revitalization Tax Exemption program does come at a financial cost. BC Assessment Authority estimate the total amount of tax revenue associated with the 10-year exemption for the five projects (650 rental units) to be \$4,255,000 (individual estimates provided in the table below).

Property	Project Details	Estimated Exemption (per year)	Estimated Total Exemption (ten years)
1545 Bedford Avenue	67 rental units	\$40,247	\$402,470
1469 KLO Road	280 rental units	\$209,404	\$2,094,040
1975 Kane Road	111 Rental units	\$71,115	\$711,150
755 Academy Way	108 rental units	\$54,477	\$544,770
1920 enterprise Way	84 rental units	\$50,257	\$502,570

Internal Circulation:

Revenue Supervisor, Financial Services
Manager, Long Range Policy Planning
Divisional Director, Community Planning & Strategic Investments

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

Approved for inclusion:



J. Moore, Department Manager of Policy & Planning

Attachments:

1. Draft Revitalization Tax Exemption Agreement 1545 Bedford Avenue
2. Draft Revitalization Tax Exemption Agreement 1975 Kane Road
3. Draft Revitalization Tax Exemption Agreement 1920 Enterprise Way
4. Draft Revitalization Tax Exemption Agreement 755 Academy Way
5. Draft Revitalization Tax Exemption Agreement 1459 KLO Road

cc: G. Davidson, Divisional Director, Financial Services
A. Schumacher, Revenue Supervisor
M. Friesen, Accountant, Financial Services
J. Moore, Manager, Long Range Policy Planning
D. Gilchrist, Division Director, Community Planning & Strategic Investments
T. Barton, Manager, Urban Planning