

Report to Council



Date: June 19, 2017
File: 1220-02
To: City Manager
From: Ross Soward, Planner Specialist
Subject: 1745 Chapman Rental Housing – Funding Request

Recommendation:

THAT Council receives, for information, the report from the Planner Specialist, dated June 19, 2017, regarding the status of the Revitalization Tax Exemption at 1745 Chapman Place.

THAT Council approves the request for 2017 tax revenue to be used to cover tax exemption costs for 2017 as described in the report from the Planner Specialist, dated June 19, 2017.

AND THAT Council directs staff to bring forward amendments to the definitions section of the Revitalization Tax Exemption Program Bylaw, as described in the report from the Planner Specialist, dated June 19, 2017.

Purpose:

To receive an update on the status of the Revitalization Tax Exemption for 1745 Chapman Place and to receive council direction to cover the 2017 municipal taxation costs.

Background:

The Revitalization Tax Exemption (RTE) Bylaw was created to provide incentives for investment and development in the city's Downtown and Rutland urban centres. Subsequently, the bylaw was amended in 2012 to provide exemptions for rental housing projects. The RTE Bylaw allows eligible developments to receive a ten-year exemption from the municipal portion of property taxes on the incremental value of improvements (i.e.: the difference between assessed value pre-development and assessed value post-development).

On October 24, 2016 Council approved a 10-year Revitalization Tax Exemption Agreement with Ki-Low-Na Friendship Society for rental housing in accordance with Revitalization Tax Exemption Program Bylaw No. 9561. The 86-unit affordable rental housing project at 1745 Chapman Place is a partnership with BC Housing. Ki-Low-Na Friendship Society's partnership with BC Housing requires that the units be stratified to allow for BC Housing to purchase equity in the rental housing project. This equity purchase is a way to improve the non-profit housing provider's financing and enhance affordability of rental rates. BC Housing has confirmed that this approach is a new strategy they are utilizing in affordable rental projects.

Staff recently discovered that the process of stratifying units to facilitate BC Housing equity is interpreted by the British Columbia Assessment Authority (BCAA) as being in conflict with the City of Kelowna's Revitalization Tax Exemption Bylaw. Specifically, the definition of *purpose-built rental housing* specifically states "dwelling units that are intended for rental housing and does not include buildings that are stratified". The result of this BCAA interpretation is that the Ki-Low-Na project has been assessed for approximately \$17,000 in municipal property taxes, despite the Revitalization Tax Exemption Agreement.

Moving forward, staff are recommending that the definition of purpose-built rental housing be amended in the Revitalization Tax Exemption Program Bylaw to ensure this approach of stratifying units to transfer ownership to BC Housing does not conflict with the definition of purpose-built rental housing in the future.

As an interim measure staff are recommending that \$17,000 of the 2017 tax revenue be allocated to ensure that Ki-Low-Na Friendship Society receives the exemption for the 2017 tax year as per its agreement with the City of Kelowna. This allocation of funding would only be for the 2017 tax year with the full revitalization tax exemption being secured for the next 9 years once the definition for purpose-built rental housing is amended. For all intents and purposes, all 86 units of the Ki-Low-Na Friendship Society housing project are being operated as affordable rental units in the spirit of the bylaw; however, the financing approach used by BC Housing has created this temporary issue for 2017.

Internal Circulation:

Revenue Supervisor, Financial Services
Divisional Director, Community Planning & Real Estate
Manager, Long Range Policy Planning

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, Manager of Long Range Policy Planning

cc: G. Davidson, Director, Financial Services
A. Schumacher, Revenue Supervisor, Financial Services