

Report to Council



Date: November 27, 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 November 27, 2017 recommending that Council adopt the following Revitalization Tax Exemption Agreements for four rental housing projects.

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Suntec Holdings Corporation, for Lot A Plan KAP84050, Section 23, Township 26, Land District 41 at 225 Rutland Road South, Kelowna, BC,

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with 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 The National Society of Hope Lots 80 to 128, District Lot 128, ODYD, Strata Plan EPS4011 at 2075 Benvoulin Court, Kelowna BC

THAT Council approves the City of Kelowna entering into a Revitalization Tax Exemption Agreement with Cerco Developments, for Lot A, District Lot 138, ODYD, Plan KAP82339 for 955 Leon Ave, Kelowna BC.

Purpose:

To consider four 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 November 27, 2017 in accordance with Revitalization Tax Exemption Program Bylaw No. 9561.

Background:

Over the last four years, 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 has outpaced the rental housing supply. According to CMHC, since 2014 the vacancy rate in the Kelowna CMA has been between 1.0 percent and 0.5 per cent, below the City's goal of 3.0 per cent for a healthy supply of rental housing. To encourage the development of purpose-built rental housing, the City 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 current vacancy rate is at or below 3%
2. The subject property has a Housing Agreement (for up to a minimum of 10 years)
3. Development is in compliance with the 2030 OCP Future Land Use designation.

All four of the projects (listed in table below) meet the criteria for revitalization tax exemption applications. Three of the projects have 10-year Housing Agreements with the City, subject to Council approval today. The 955 Leon Avenue project entered into a housing agreement with the City in 2007 as part of first phase of the development and 2075 Benvoulin Court has a 40-year housing operating agreement with BC Housing that secures those 47 units for purpose-built rental housing. The City's rental housing vacancy rate is currently below 3% and all projects are in compliance with the designated OCP future land use. The tax exemptions will be valid for ten years, based on the occupancy date of each individual project. A draft copy of the revitalization tax exemption agreement for each project is provided (Attachments 1-4).

Although there is a significant need and demand for rental housing, the Revitalization Tax Exemption program does come at a financial cost. Staff estimate the total amount of tax revenue associated with the 10-year exemption for the four projects to total approximately \$905,000. The amount breakdown for each project is estimated in the table below.

Property	Project Details	Estimated Exemption (per year)	Estimated Total Exemption (ten years)
225 Rutland Road South	22 rental units	\$11,000	\$110,000
1920 Enterprise Way	84 Rental units	\$42,000	\$420,000
2075 Benvoulin Court	47 rental units	\$23,500	\$235,000
955 Leon Avenue	28 rental units	\$14,000	\$140,000

Internal Circulation:

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

Attachments:

1. Attachment 1 - Draft RTE Agreement 225 Rutland Road South
2. Attachment 2 - Draft RTE Agreement 1920 Enterprise Way
3. Attachment 3 - Draft RTE Agreement 2075 Benvoulin Court
4. Attachment 4 - Draft RTE Agreement 955 Leon Avenue