

# Memo



**Date:** July 7, 2010  
**File:** 0280-70  
**To:** City Manager  
**From:** George L King, Revenue Manager  
**Subject:** Heritage Tax Incentive Agreement between City of Kelowna and Kelowna Train Station Inc.

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**Recommendation:**

THAT Council authorizes the City to enter into an Agreement, in the form attached to the Report of the Revenue Manager dated July 7, 2010, allowing Kelowna Train Station Inc. (formerly 0847922 BC Ltd.), owners of the former CN Train Station located at 1177 Ellis Street to obtain a permissive tax exemption for the subject property based on the terms and considered prescribed in Heritage Building Tax Incentive Program Policy No. 318;

AND THAT the Mayor and City Clerk be authorized to execute the Agreement.

**Background:**

Heritage Building Tax Incentive Policy

Council recently approved a revised policy to provide assistance in the form of tax exemptions for protected agricultural, commercial, industrial and institutional heritage properties. The incentive is intended to encourage and support the retention, ongoing use, upkeep, and adaptive reuse of heritage structures.

The policy allows a property owner to help off-set eligible costs associated with heritage building restoration and rehabilitation including; restoring exterior elements of heritage buildings such as doors, windows, roofing and siding, reconstruction of significant historical architectural features, structural rehabilitation works as well as consulting fees. The tax incentive is to be structured so that the property owner is exempt from all or a portion of the municipal share of taxes until up to 75% of the eligible restoration costs are recovered over a maximum ten year period.

Built in 1926 and known as the CN Train Station, the building at 1177 Ellis Street (Schedule B) is protected through Heritage Revitalization Agreement (HRA) Bylaw No. 8512 pursuant to Section 966 of the "Local Government Act" and has recently been designated as a municipal heritage site. The owner of the heritage building has submitted an application under the Heritage Building Tax Incentive Program Policy No. 318 to seek assistance from the City to help off-set a portion of the costs associated with restoring the building. Once the restoration and rehabilitation works are complete, the building will generate revenue and provide public access as a pub-restaurant.

As required by the policy, the applicant has provided two cost estimates detailing the conservation work. The lower of the two cost estimates associated with the heritage conservation work totals approximately \$1,620,000. Of this total, \$1,490,000 worth of work would qualify for tax exemption under the policy. The heritage building tax incentive allows for 75% of these costs, or approximately \$1,117,500, to be considered for the tax exemption.

The value of the subject property is currently assessed at \$1,790,900 and the 2010 municipal portion of property tax were \$14,800. Upon completion of the restoration project, it is estimated that the value of the property would be assessed at \$3,000,000, which would set the municipal portion of the property tax at \$24,800 with total taxes at \$50,400. This would allow for a tax incentive of an estimated \$504,000 over

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the ten year term of the tax incentive Program. At this assessed value the applicant would not be able to recover the value anticipated under the Heritage Building Tax Incentive Program.

The applicant is proposing further development on the property, two connected buildings at the north side of the property and a single building on the east portion. Due to the development restrictions on the northern buildings as well as the extent of heritage elements proposed to support the heritage structure (i.e. Rail Garden, paving stone, public art). City policy #318 indicates the tax exemption can be "based on the total assessed value of land and improvements". This development is all on one property and we have interpreted the policy to include all development on the property, not just the building that is being renovated.

The two buildings on the north portion of the property have an estimated assessment of \$4.8 million. The annual municipal tax portion would be approximately \$39,700 and total taxes of \$80,600. Depending on their construction date this could provide \$806,000 in tax incentive over the ten year term.

The building on the east portion has an estimated assessment of \$1.2 million. The annual municipal tax portion would be approximately \$9,000 and total taxes of \$19,100. Depending on the construction date this could provide \$191,000 in tax incentive over the ten year term.

When we combine all of the buildings with the CN station, depending on the construction dates, it is possible to achieve the maximum of \$1,117,500 tax incentive within the ten year period.

**Legal/Statutory Authority:**

Local Government Act Section 810, Community Charter Sections 25, 175 & 225

The City solicitor has advised that with a Heritage Revitalization Agreement in place a heritage tax exemption can be provided for multiple buildings on the property.

**Existing Policy:**

Heritage Building Tax Incentive Program Policy No. 318

Permissive Tax Exemption Policy No. 327

**Considerations not applicable to this report:**

**Internal Circulation:**

**Alternate Recommendation:**

**Communications Considerations:**

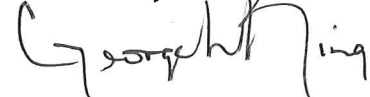
**External Agency/Public Comments:**

**Financial/Budgetary Considerations:**

**Personnel Implications:**

**Technical Requirements:**

Submitted by:



G.King, CMA, Revenue Manager

Approved for inclusion:



(K. Grayston, Director, Financial Services)

CC: Alec Warrender, Land Use Planner

Heritage Tax Exemption Agreement

THIS AGREEMENT made this \_\_\_ day of \_\_\_\_\_, 2010

BETWEEN:

CITY OF KELOWNA  
1435 Water Street  
Kelowna, BC V1Y 1J4

(hereafter “the City”)

OF THE FIRST PART

AND:

KELOWNA TRAIN STATION INC. (formerly: 0847922 BC LTD)  
5711 – 1<sup>st</sup> St. S.E.  
Calgary, AB T2H 1H9

(hereafter “the Applicant”)

OF THE SECOND PART

WHEREAS

- A. The City as a municipality under section 225 of the *Community Charter* SBC 2003, c. 26 is authorized to enter into an agreement with an owner of property respecting the revision of a revitalization tax exemption (the “Exemption”).
- B. The Applicant owns property at 1177 Ellis Street (Roll # 79965) in Kelowna (the “Property”) which is the subject of a heritage revitalization agreement in respect of the former CNR train station (the “Station”) situated on the Property.
- C. The Applicant has submitted a proposal for the development of the Property, including the Station, that complies with City Council’s Heritage Tax Incentive Program Policy No. 318 (the “Policy”).
- D. The City has determined that the eligible costs (as defined in the Policy) in connection with the restoration of the Station are \$1,490,000. The Policy

provides that the maximum tax incentive to an owner is 75% of the eligible costs, which, in the case of the Station, is \$1,117,500.

NOW THEREFORE IN CONSIDERATION OF THE MUTUAL PREMISES AND AGREEMENTS CONTAINED HEREIN THE CITY AND APPLICANT AGREE AS FOLLOWS:

1. The maximum amount of the tax exemption available in respect of the Property is \$1,117,500.
2. The term of the tax exemption is 10 years, commencing the calendar year following the Applicant's submission of a permissive tax exemption application (the "Application"). The Application must be submitted no later than July 15 of the calendar year preceding the year in which the first installment of the exemption is applied. The Application may not be submitted before final inspection and approval by the City of the restoration work.

IN WITNESS WHEREOF the parties have executed the agreement as of the day and year first written above:

CITY OF KELOWNA by its authorized signatories:

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Authorized Signatory

SHARON SHEPHERD, MAYOR

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Authorized Signatory

STEPHEN FLEMING, CITY CLERK

Kelowna Train Station Inc. by its authorized signatories:

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Authorized Signatory

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Authorized Signatory



NO.	REV.	DESCRIPTION

DATE: 20/05/2019

SCALE:

FOR INFORMATION, THE ARCHITECTURE AND ENGINEERING FIRM HAS CONDUCTED VISUAL ANALYSIS OF THE PROPOSED DEVELOPMENT. THIS ANALYSIS IS BASED ON THE PRESENT INFORMATION AND IS SUBJECT TO CHANGE AS MORE INFORMATION IS PROVIDED. THE ARCHITECTURE AND ENGINEERING FIRM DOES NOT GUARANTEE THE ACCURACY OF THE INFORMATION PROVIDED BY THE CLIENT.

**HERITAGE REVITALIZATION AGREEMENT SUBMISSION**

PROJECT: HERITAGE REVITALIZATION AGREEMENT SUBMISSION

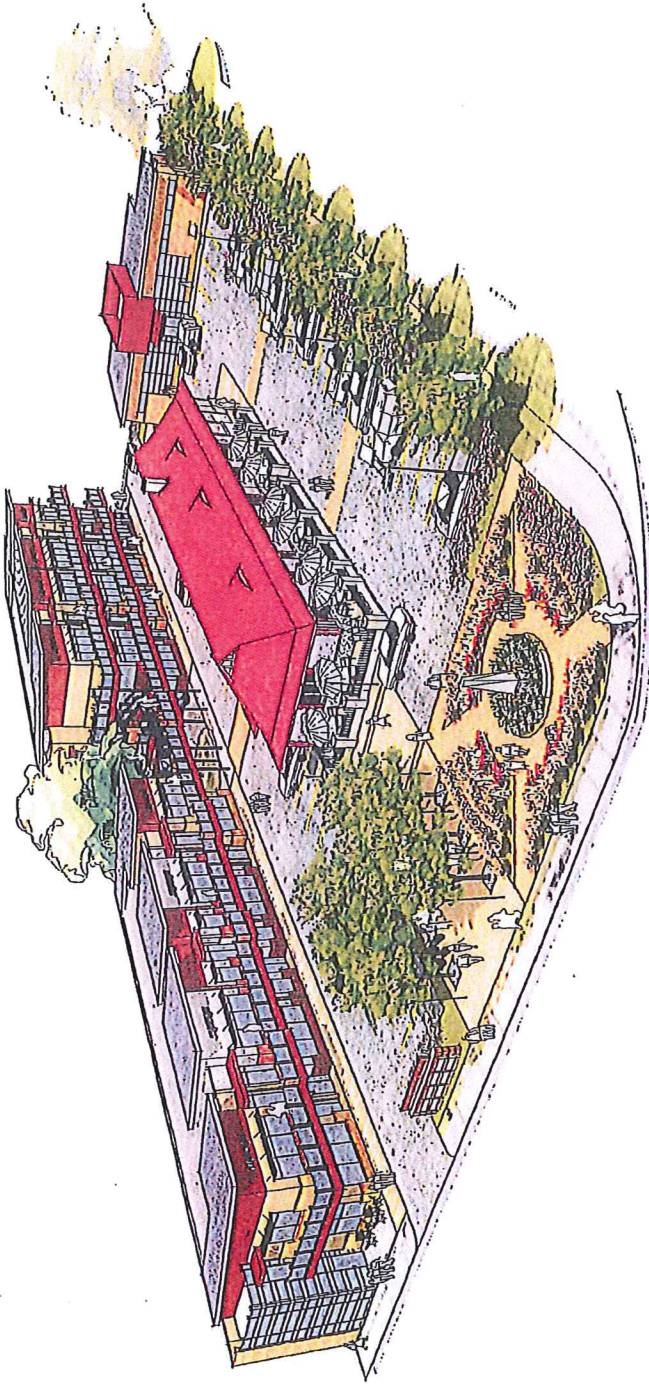
**PERSPECTIVE RENDERINGS**

PROJECT: HERITAGE REVITALIZATION AGREEMENT SUBMISSION

DATE: 20/05/2019

SCALE: 1:500

PROJECT: DDAR-01



PERSPECTIVE RENDERING - South West aerial view.

NOTE: Renderings are representative only. Design shows intent only.