

Report to Council



Date: May 4th, 2012
File: RTE12-0001
To: City Manager
From: Urban Land Use Manager
Subject: 110-150 Hwy 33 W - Revitalization Tax Exemption Agreement

Report Prepared by: Alec Warrender

Recommendation:

THAT Council approves the City of Kelowna entering into Revitalization Tax Exemption Agreement with Western Sandpiper Holdings Ltd. for Lot A, District Lot 139, ODYD, Plan 33185 in the form attached to the report form Land Use Management dated May 4th, 2012;

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

Purpose:

The applicant is applying to enter into a Revitalization Tax Exemption Agreement in accordance with Revitalization Tax Exemption Bylaw No. 9561.

Background:

The proposed office building addition is appropriate as the subject property is designated Mixed Use (Residential / Commercial) in the OCP and is zoned C4/C4lp - Urban Centre Commercial / (Liquor Primary). A Development Permit for the project was recently approved by Council under DP11-0050. As the site is located in Tax Incentive Area 3, the commercial project qualifies for a 100% exemption on the incremental increase in assessed value (i.e. not including the assessed value of the existing building). Aided by the proposed Revitalization Tax Exemption Agreement, the proposed redevelopment of a private surface parking lot will support revitalization of the Rutland Urban Centre.

Currently, this intersection is substantially under-built and is a missed opportunity to define a landmark centre for Rutland. This development project represents an incremental step toward building a renewed and positive identity for the Rutland centre. The landowner has entered into a long-term agreement with Valley First Credit Union to provide space for retail banking, insurance, and corporate training in a new two-storey commercial building to be constructed on the subject property. Additional tenant space will be available for lease on the second floor. Situated prominently at the corner of Rutland Road and Highway 33, the building serves to anchor this landmark intersection. Specific performance criteria are as follows:

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- The streetscape presence is positive, with well-detailed facades, ample glazing, varied materials, appropriate siting, and complementary landscaping features;
- High quality materials are proposed throughout, including black cultured stone, glass, stucco, and aluminum window frames;
- The new 2 storey building will include 2500m² or commercial space;
- Streetscape landscaping with a landscaped boulevard along Highway 33.

The Revitalization Tax Exemption Agreement will help to facilitate this project by providing the applicant with a Tax Exemption equal to 100% of the municipal share of the property tax due annually in relation to the improvements on the parcel which can be attributed to a commercial land use. Notably, in any case this shall not be more than the incremental increase in the assessed value of improvements on the Parcel between the year before the commencement of construction of the Project, and the year following the issuance of the Tax Exemption Certificate (and not exempt from any local service tax payable). The Tax exemption will be valid for the years of 2014-2023.

Internal Circulation:

Revenue Manager, Financial Services

Existing Policy:

Revitalization Tax Exemption Bylaw No. 9561

Financial/Budgetary Considerations:

The commercial project qualifies for a 100% exemption on the incremental increase in assessed value (i.e. not including the assessed value of the existing building). The Tax exemption will be for the 2014-2023 taxation years.

Considerations not applicable to this report:

- Legal/Statutory Authority
- Legal/Statutory Procedural Requirements
- Personnel Implications
- External Agency/Public Comments
- Communications Comments
- Alternate Recommendation

Submitted by:

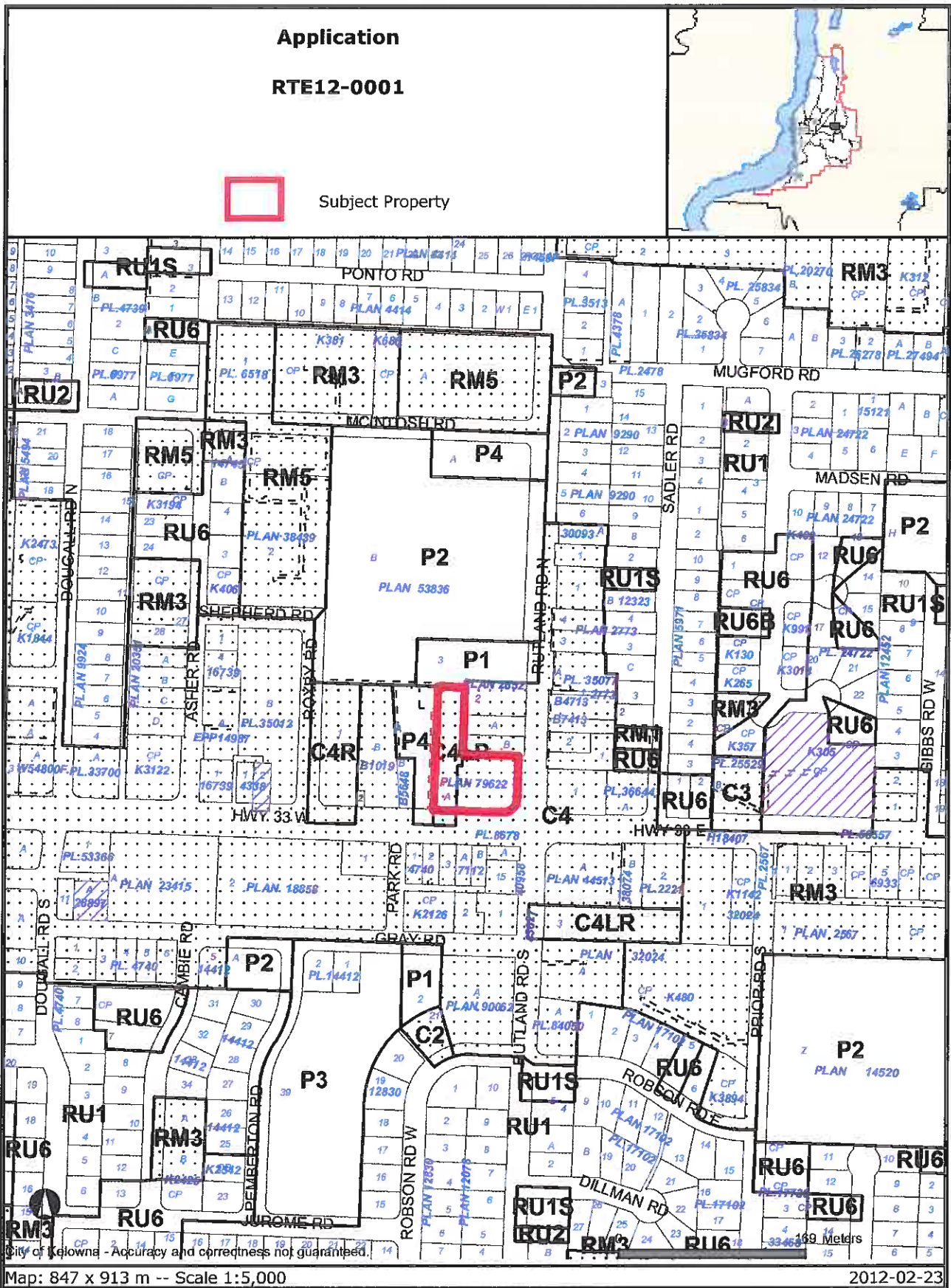


D. Noble, Urban Land Use Manager

Approved for inclusion:



cc: George King, Financial Services



Certain layers such as lots, zoning and dp areas are updated bi-weekly. This map is for general information only.
The City of Kelowna does not guarantee its accuracy. All information should be verified.

SCHEDULE "B"

Revitalization Tax Exemption Agreement

THIS AGREEMENT dated for reference the __ day of _____, 2012 is

BETWEEN:

Western Sandpiper Holdings Ltd.
1574 Harvey Ave.
Kelowna, BC V1Y 6G2

(the "Owner")

AND:

CITY OF KELOWNA
1435 Water Street,
Kelowna, B.C. V1Y 1J4

(the "City")

GIVEN THAT:

- A. The Owner is the registered owner in fee simple of lands in the City of Kelowna at 110-150 Hwy 33 W legally described as Lot A Section 26 Township 26 ODYD Plan KAP79622 (the "Parcel");
- B. Council has established a revitalization tax exemption program and has included within the City of Kelowna Revitalization Tax Exemption Bylaw No. 9561 the designation of areas which include the Parcel as a revitalization area; and
- C. The Owner proposes to construct new improvements on the Parcel as described in Appendix "A" attached to and forming part of this agreement (the "Project") and has applied to the City to take part in the revitalization tax exemption program in respect of the Project and the City has agreed to accept the Project under the program;

THIS AGREEMENT is evidence that in consideration of the promises exchanged below, the Owner and the City covenant and agree each with the other as follows:

- 1. **The Project** - the Owner will use its best efforts to ensure that the Project is constructed, maintained, operated and used in a fashion that will be consistent with and will foster the objectives of the revitalization tax exemption program, as outlined in the City of Kelowna Revitalization Tax Exemption Bylaw No. 9561. Without limiting the generality of the foregoing, the Owner covenants to use its best efforts to ensure that the Project will:
 - a. Consist of 16,000 new square feet of retail and office development contained within a new building.
 - b. The construction value of the new building is equal to or greater than \$1,500,000.00 not including any soft costs or land costs.
 - c. The project has been designed to conform with the existing C4 zoning and has been designed to enhance the pedestrian experience.



2. **Operation and Maintenance of the Project** - throughout the term of this agreement, the Owner shall operate, repair and maintain the Project and will keep the Project in a state of good repair as a prudent owner would do.
3. **Revitalization Tax Exemption** - subject to fulfilment of the conditions set out in this agreement and in "City of Kelowna Revitalization Tax Exemption Bylaw No. 9561", the City shall issue a revitalization tax exemption certificate (the "Tax Exemption Certificate") to the British Columbia Assessment Authority entitling the Owner to a property tax exemption in respect of the property taxes due (not including local service taxes) in relation to the improvements on the Parcel (the "Tax Exemption") for the calendar year(s) set out in this agreement. The Tax Exemption Certificate shall be in the form of Appendix "B", which is attached to and forms part of this agreement.
4. **Conditions** - the following conditions shall be fulfilled before the City will issue a Tax Exemption Certificate to the Owner in respect of the Project:
 - a. The Owner must obtain a building permit from the City for the Project on or before June 15, 2012;
 - b. The Owner must complete or cause to be completed construction of the Project in a good and workmanlike fashion and in strict compliance with the building permit and the plans and specifications attached hereto as Appendix "C" and the Project must be officially opened for use as a Financial Institution and Offices and for no other use, by no later than December 31, 2012;
 - c. The Owner must submit a copy of the Occupancy Permit and Revitalization Tax Exemption Agreement to the City of Kelowna's Revenue Manager, Revenue Branch before the City will issue the Tax Exemption Certificate.
 - d. The completed Project must substantially satisfy the performance criteria set out in Appendix "D" hereto, as determined by the City's Land Use Management or designate, in their sole discretion, acting reasonably;
5. **Calculation of Calculation of Revitalization Tax Exemption** - As the subject property is located in "Tax Exemption Area 3" the amount of the Tax Exemption shall be equal to 100% of the municipal share of the property tax due annually in relation to the improvements on the Parcel which can be attributed to a commercial land use. *But in any case shall not be more than the incremental increase in the assessed value of improvements on the Parcel between the year before the commencement of construction of the Project, and the year following the year in which the Tax Exemption Certificate is issued, nor include an exemption from any local service tax payable.*
6. **Term of Tax Exemption** - provided the requirements of this agreement, and of the City of Kelowna Revitalization Tax Exemption Bylaw No. 9561, are met the Tax Exemption shall be for the taxation years 2014 to 2023, inclusive.
7. **Compliance with Laws** - the Owner shall construct the Project and, at all times during the term of the Tax Exemption or any renewal term, use and occupy the Parcel and the Project in compliance with all statutes, laws, regulations and orders of any authority having jurisdiction and, without limiting the generality of the foregoing, all federal, provincial, or municipal laws or statutes or bylaws, including all the rules regulations policies guidelines criteria or the like made under or pursuant to any such laws.



8. **Effect of Stratification** - if the Owner stratifies the Parcel or the Project under the *Strata Property Act*, then the Tax Exemption shall be prorated among the strata lots in accordance with the unit entitlement of each strata lot for:
- a. the current and each subsequent tax year during the currency of this agreement if the strata plan is accepted for registration at the Land Title Office before May 1; or
 - b. for the next calendar year and each subsequent tax year during the currency of this agreement if the strata plan is accepted for registration at the Land Title Office after May 1;

so long as, where a Housing Agreement exists in relation to the Parcel or the Project which limits ability to stratify, the Housing Agreement is still complied with.

9. **Cancellation** - the City may in its sole discretion cancel the Tax Exemption Certificate at any time:
- a. on the written request of the Owner; or
 - b. effective immediately upon delivery of a notice of cancellation to the Owner if at any time any of the conditions in the Tax Exemption Certificate are not met.

If such cancellation occurs, the Owner of the Parcel for which the Tax Exemption Certificate was issued will remit to the City an amount equal to the value of any Tax Exemption received after the cancellation of the Tax Exemption Certificate.

10. **No Refund** - for greater certainty, under no circumstances will the Owner be entitled under the City's revitalization tax exemption program to any cash credit, any carry forward tax exemption credit or any refund for any property taxes paid.
11. **Notices** - any notice or other writing required or permitted to be given hereunder or for the purposes hereof to any party shall be sufficiently given if delivered by hand or posted on the Parcel, or if sent by prepaid registered mail (Express Post) or if transmitted by facsimile to such party:

- a. in the case of a notice to the City, at:

THE CITY OF KELOWNA
1435 Water Street,
Kelowna, B.C. V1Y 1J4

Attention: Land Use Management Department

- b. in the case of a notice to the Owner, at:

Western Sandpiper Holdings Ltd.
1574 Harvey Ave.
Kelowna, BC V1Y 6G2

Attention: Gary Tebbutt
Fax: 250 860 7599

Or at such other address as the party to whom such notice or other writing is to be given shall have last notified the party giving the same.

12. **No Assignment** - the Owner shall not assign its interest in this agreement except to a subsequent owner in fee simple of the Parcel.
13. **Severance** - if any portion of this agreement is held invalid by a court of competent jurisdiction, the invalid portion shall be severed and the decision that it is invalid shall not affect the validity of the remainder of this agreement.
14. **Interpretation** - wherever the singular or masculine is used in this agreement, the same shall be construed as meaning the plural, the feminine or body corporate where the context or the parties thereto so require.
15. **Further Assurances** - the parties hereto shall execute and do all such further deeds, acts, things and assurances that may be reasonably required to carry out the intent of this agreement.
16. **Waiver** - waiver by the City of a default by the Owner shall be in writing and shall not be deemed to be a waiver of any subsequent or other default.
17. **Powers Preserved** - this agreement does not:
 - a. Affect or limit the discretion, rights or powers of the City under any enactment or at common law, including in relation to the use or subdivision of the Parcel;
 - b. Affect or limit any enactment relating to the use or subdivision of the Parcel; or
 - c. Relieve the Owner from complying with any enactment, including in relation to the use or subdivision of the Parcel, and without limitation shall not confer directly or indirectly any exemption or right of set-off from development cost charges, connection charges, application fees, user fees or other rates, levies or charges payable under any bylaw of the City.
18. **Reference** - every reference to each party is deemed to include the heirs, executors, administrators, personal representatives, successors, assigns, servants, employees, agents, contractors, officers, licensees and invitees of such party, wherever the context so requires or allows.
19. **Enurement** - this agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.



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

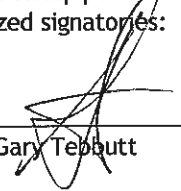
Executed by the CITY OF KELOWNA by
Its authorized signatories:

Mayor

City Clerk

Executed by:

Western Sandpiper Holdings Ltd. by its
Authorized signatories:

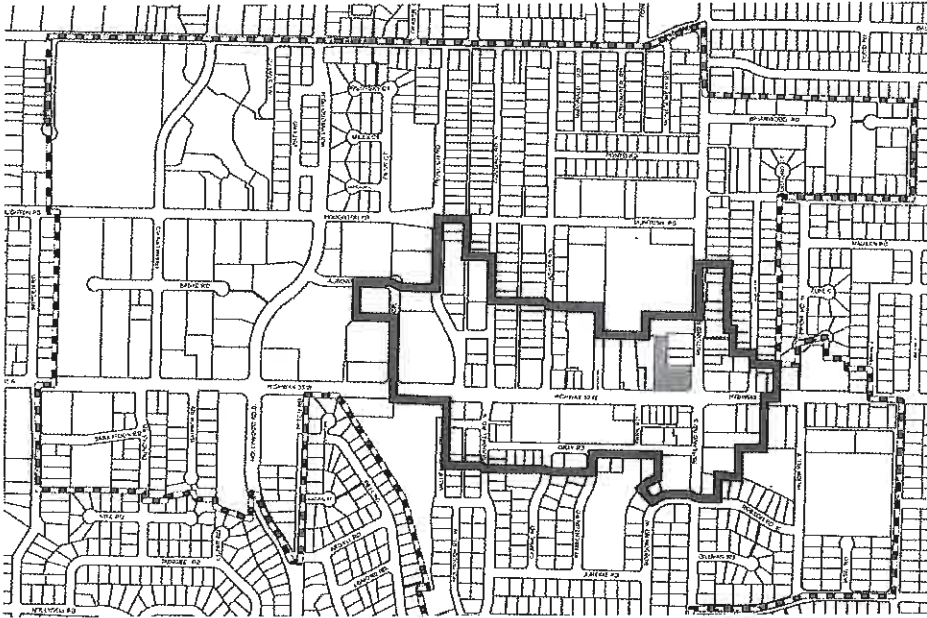


Name: Gary Tebbutt



Appendix "A" to Revitalization Tax Exemption Agreement

Map of Affected Parcel



Appendix "B" to Revitalization Tax Exemption Agreement

Tax Exemption Certificate

In accordance with the City of Kelowna Revitalization Tax Exemption Bylaw No. 9561 (the "Bylaw"), and in accordance with a Revitalization Tax Exemption Agreement dated for reference the ____ day of _____, 20__ (the "Agreement") entered into between the City of Kelowna (the "City") and Western Sandpiper Holdings Ltd. (the "Owner"), the registered owner(s) of Lot A Section 26, Township 26, ODYD, Plan KAP79622, PID 026-499-631. (the "Parcel):

This certificate certifies that the Parcel is subject to a revitalization tax exemption equal to the following improvement portion(s) of the assessment value of the Parcel: Class 06 Business/Other: 100% multiplied by the municipal rate of tax in effect for Class 06 - Business/Other, for each of the taxation years 2014 to 2023 inclusive.

The Tax Exemption is provided under the following conditions:

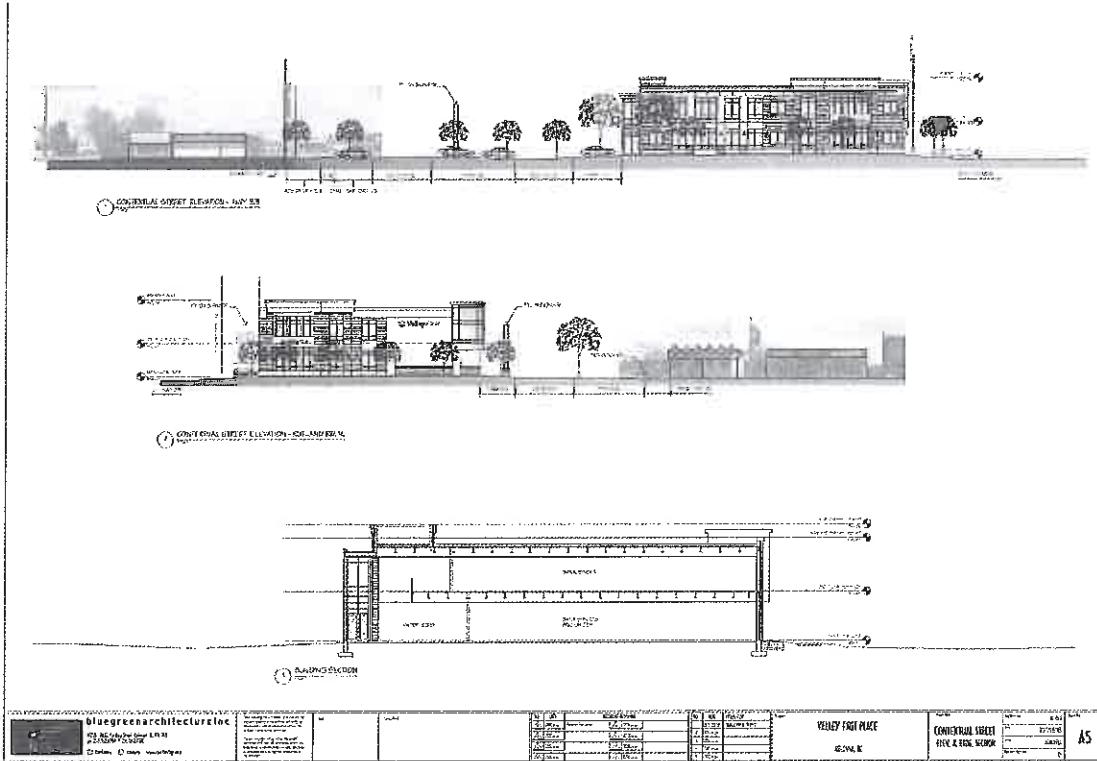
1. The Owner does not breach any term, condition or provision of, and performs all obligations set out in, the Agreement and the Bylaw;
2. The Owner has not sold all or any portion of his or her equitable or legal fee simple interest in the Parcel without the transferee taking an assignment of the Agreement, and agreeing to be bound by it;
3. The Owner, or a successor in title to the Owner, has not allowed the property taxes for the Parcel to go into arrears or to become delinquent;
4. The Exempt Use (as defined in the Agreement) of the Project is not discontinued.

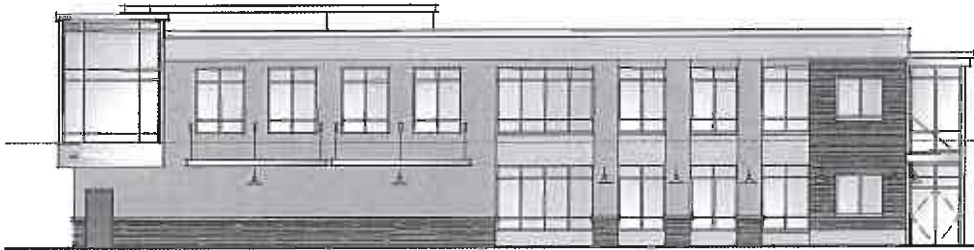
If any of these conditions are not met then the Council of the City of Kelowna may cancel this Revitalization Tax Exemption Certificate. If such cancellation occurs, the Owner of the Parcel, or a successor in title to the Owner as the case may be, shall remit to the City an amount equal to the value of the exemption received after the date of the cancellation of the certificate.



Appendix "C" to Tax Exemption Revitalization Agreement

Plans and Specifications for the Project

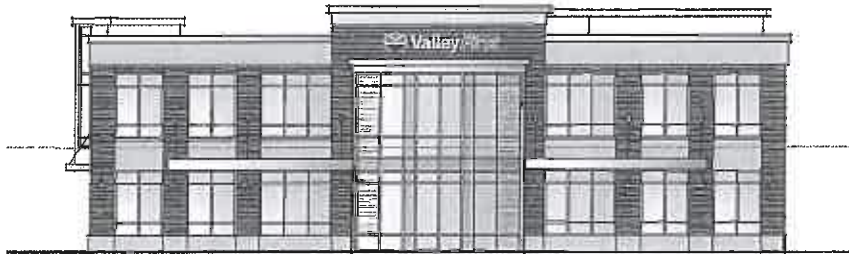




RGA
VALLEY FIRST PLACE
NORTH ELEVATION
Date: FEB. 17, 2011
Scale: 1/100
Issue: REVIEW



RGA
VALLEY FIRST PLACE
EAST ELEVATION (RUTLAND ROAD)
Date: FEB. 17, 2011
Scale: 1/100
Issue: REVIEW




VALLEY FIRST PLACE
WEST ELEVATION - MAIN ENTRANCE

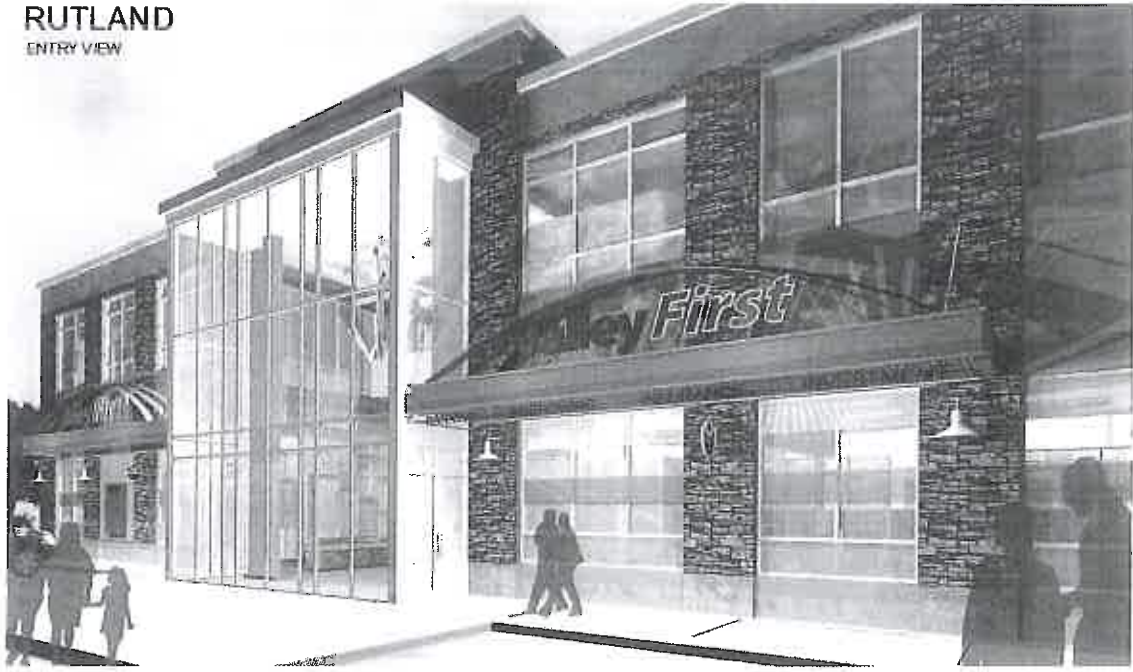
 Date: FEB. 17, 2011
 Scale: 1/8" = 1'-00"
 Issue: REVIEW




VALLEY FIRST PLACE
SOUTH AND CORNER ELEVATIONS (HWY 33)

 Date: FEB. 17, 2011
 Scale: 1/8" = 1'-00"
 Issue: REVIEW

RUTLAND
ENTRY VIEW



PA -9

Robert Mackenzie Architects Inc.
Architects, Planners,
and Engineers

A handwritten signature or mark, possibly initials, located in the bottom right corner of the page.

Appendix "D" to Tax Exemption Revitalization Agreement

Performance Criteria for the Project

At present this intersection is substantially under-built and is a missed opportunity to define a landmark centre for Rutland. This development project represents an incremental step toward building a renewed and positive identity for the Rutland centre.

The landowner has entered into a long-term agreement with Valley First credit union to provide space for retail banking, insurance, and corporate training in a new, two-storey commercial building to be constructed on the subject property. Additional tenant space will be available for lease on the 2nd floor. Situated prominently at the corner of Rutland Road and Highway 33, the building serves to anchor this landmark intersection. Specific Performance Criteria are as follows:

- The streetscape presence is positive, with well-detailed facades, ample glazing, varied materials, appropriate siting, and complementary landscaping features.
- High quality materials are proposed throughout, including black cultured stone, glass, stucco, and aluminium window frames.
- The new 2 storey building will include 2500m² or commercial space.
- High Quality landscaping with landscaped Boulevard along Highway 33.
- Sufficient Car & Bike Parking

