

# City of Kelowna

## Regular Council Meeting

### AGENDA



Monday, June 1, 2015

8:30 am

Knox Mountain Meeting Room (#4A)

City Hall, 1435 Water Street

Pages

1. Call to Order

2. Confirmation of Minutes

3 - 7

Regular AM Meeting - May 25, 2015

3. Resolution Closing the Meeting to the Public

THAT this meeting be closed to the public pursuant to Section 90(1) (e), (f) and (j) of the *Community Charter* for Council to deal with matters relating to the following:

- Acquisition, Disposition, or Expropriation of Land or Improvements;
- Law Enforcement; and
- Third Party Information.

4. Adjourn to Closed Session

5. Reconvene to Open Session

6. Reports

6.1 Micro-Suites

60 m

8 - 12

To provide Council with a policy update that addresses the impacts of micro-suites in Kelowna and receive Council direction.

6.2 Revitalization Tax Exemption Update

30 m

13 - 32

To receive an update on the status of the revitalization tax exemption and rental housing tax exemption programs.

6.3 Infill Challenge

30 m

33 - 53

To inform Council about the Infill Challenge project as it moves into the public engagement stage.

**7. Issues Arising from Correspondence & Community Concerns**

**7.1 Mayor Basran, re: Issues Arising from Correspondence**

30 m

**8. Termination**



## City of Kelowna Regular Council Meeting Minutes

Date: Monday, May 25, 2015  
 Location: Knox Mountain Meeting Room (#4A)  
 City Hall, 1435 Water Street

Council Members Present: Mayor Colin Basran and Councillors Maxine DeHart, Ryan Donn, Gail Given\*, Tracy Gray, Charlie Hodge, Brad Sieben, Mohini Singh\* and Luke Stack\*

Staff Present: Deputy City Manager, Paul Macklem; City Clerk, Stephen Fleming; Deputy City Clerk, Karen Needham\*; Corporate & Protective Services Divisional Director, Rob Mayne\*; Infrastructure Divisional Director, Alan Newcombe\*; Financial Services Director, Genelle Davidson\*; Communications Consultant, Summer Effray\*; Park & Building Planning Manager, Terry Barton\*; and Legislative Systems Coordinator, Sandi Horning

Guests: Consultants, John Weninger\* and Scott Shepard\*, Urban Systems

(\* denotes partial attendance)

### 1. Call to Order

Mayor Basran called the meeting to order at 8:48 a.m.

### 2. Confirmation of Minutes

Moved By Councillor Hodge/Seconded By Councillor Stack

**R382/15/05/25** THAT the Minutes of the Regular AM Meeting of May 11, 2015 be confirmed as circulated.

Carried

### 3. Reports

#### 3.1 Council Policy Framework

Deputy City Clerk:

- Provided an overview of the proposed Council Policy review rationale and the proposed framework.

Councillor Singh joined the meeting at 8:53 a.m.

Deputy City Clerk:

- Responded to questions from Council.

Moved By Councillor Hodge/Seconded By Councillor DeHart

R383/15/05/25 THAT Council receives, for information, the Report from the Deputy City Clerk dated May 25, 2015 with respect to the Council Policy Framework;

AND THAT Council initiates a comprehensive review of the current Council Policy Library, as attached to the May 25, 2015 Report of the Deputy City Clerk, to be completed this Council term;

AND THAT Council directs staff to prepare each policy of the Council Policy Library for review and presentation to Council during regular AM meetings, individually or in groups as appropriate, as outlined in the May 25, 2015 Report of the Deputy City Clerk;

AND THAT Council rescinds Council Policy No. 26 City Bylaws as outlined in the Report of the Deputy City Clerk dated May 25, 2015;

AND FURTHER THAT Council Policy No. 368 Council Policy Administration be approved by Council as amended and attached to the Report of the Deputy City Clerk dated May 25, 2015.

Carried

#### 3.2 Principles and Strategies for Financial Sustainability

The Guests, John Weninger and Scott Shepard, joined the meeting at 9:08 a.m.

Staff:

- Provided an overview of the workshop and displayed a PowerPoint presentation.
- Introduced the Consultants in attendance.

Guest, John Weninger:

- Displayed a PowerPoint presentation with respect to the City's 'Financial Sustainability' and responded to questions from Council.

Staff:

- Responded to questions from Council.

Council:

- Discussed the proposed 'Principles of Financial Sustainability'.
- Discussed the merits of the current definition of 'Balanced' and 'Sustainability'.

Councillor Given left the meeting at 9:31 a.m.

Council:

- Discussed the strategies listed under the 'Taxation' objective.

Deputy City Manager:

- Provided comment regarding agricultural lands and property taxes.

Council:

- Discussed the strategies listed under the 'Debt' objective.

Staff:

- Provided clarification regarding the debt servicing objective.
- Provided clarification regarding the reserve and surplus funds objective.

Council:

- Discussed the strategies listed under the 'Grants' objective.
- Discussed the strategies listed under the 'Development Financing' objective.

Corporate & Protective Services, Divisional Director:

- Responded to questions from Council regarding the 'Development Financing' objective.

Council:

- Discussed the strategies listed under the 'New Capital Projects' objective.

Infrastructure, Divisional Director:

- Responded to questions from Council regarding the 'Multiple Bottom Line'.

Council:

- Discussed the strategies listed under the 'Partnership' objective.

Council:

- Discussed any changes to the proposed 'Principles and Strategies for Financial Sustainability'.

The Guests left the meeting at 10:40 a.m.

The meeting recessed at 10:40 a.m. The meeting reconvened at 10:52 a.m.

#### 4. Resolution Closing the Meeting to the Public

Moved By Councillor Singh/Seconded By Councillor Stack

R384/15/05/25 THAT this meeting be closed to the public pursuant to Section 90(1) (a) and (e) of the *Community Charter* for Council to deal with matters relating to the following:

- Municipal Appointments;
- Property Acquisition, Disposition, or Expropriation of Land or Improvements.

Carried

#### 5. Adjourn to Closed Session

The meeting adjourned to a closed session at 10:52 a.m.

#### 6. Reconvene to Open Session

The meeting reconvened to an open session at 11:52 a.m.

## 7. Issues Arising from Correspondence & Community Concerns

### 7.1 Cook Road Boat Launch Dredging Request

#### Staff:

- Provided an update on access issues with the Cook Road boat launch due to sand deposits.
- Advised that the Province has jurisdiction over the boat launch and that staff have approached the Province to gauge their support for a dredging application.
- Advised that the Province agrees that the City should make a dredging application as it is the only feasible option for the area.

Councillor Stack left the meeting at 12:01 p.m.

#### Staff:

- Advised that the Province requires extensive technical reports and information in support of the application.
- Advised that the application should be made in 3 to 4 weeks; however it is unknown how long the application may be with the Province.
- Advised that the earliest the dredging could start is mid-July.
- Responded to questions from Council.
- Advised that the area was last dredged in 2005.

#### Council:

- Raised a concern how limited boat access to Okanagan Lake at the Cook Road boat launch will impact both local and tourist users.
- Need to ensure that a communication plan is in place so that the public is aware of the situation and to provide information regarding alternative boat launch sites.

Moved By Councillor Sieben/Seconded By Councillor Singh

R385/15/05/25 THAT Council authorizes the Mayor, on behalf of Council, to write Minister Steve Thomson regarding the City's dredging application with respect to the Cook Road boat launch.

Carried

#### Deputy City Manager:

- Advised that a communications plan will be in place.

### 7.2 Kelowna Rockets - Memorial Cup

#### Mayor Basran:

- Advised that he has been questioned by numerous members of the public as to why he isn't representing the City at the Memorial Cup in Quebec City.
- Inquired with Council as to whether or not he should attend on behalf of the City.

#### Council:

- Would like to know the costs before making a decision.

#### Mayor Basran:

- Advised that he will look into the costs and advise Council.

### 7.3 Wild Festival for Youth

#### Mayor Basran:

- Provided background information regarding the festival.



- Advised that a one-time funding request for \$2,800.00 has been received and that the request does not fall within the Active Living & Culture's granting funding criteria.
- Advised that he will forward the request to Council for further consideration.

### 7.3 Bernard Avenue Liquor Licenses & Patios

Councillor Hodge:

- Expressed a concern that alcohol has to be served and consumed by 12:00 am (midnight) for those Bernard Avenue liquor establishments with outdoor patios.
- Inquired if Council would be willing to revisit the policy.

Deputy City Manager:

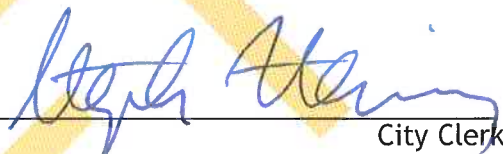
- Will have staff report back to Council regarding the current policy.

### 8. Termination

The meeting was declared terminated at 12:28 p.m.

\_\_\_\_\_  
Mayor

/slh

  
\_\_\_\_\_  
City Clerk

DRAFT

# REPORT TO COUNCIL



**Date:** May 25, 2015  
**RIM No.** 0100-00  
**To:** City Manager  
**From:** Urban Planning, Community Planning & Real Estate (RR)  
**Subject:** Micro-Suites

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## 1.0 Recommendation

THAT Council receives for information the report from the Urban Planning Manager dated May 25, 2015;

AND THAT Council directs staff to incorporate amendments concerning micro-suites into the next Development Cost Charge program review;

AND THAT Council directs staff to bring the following bylaw and policy amendments to a Monday afternoon Council meeting for consideration;

- 1) Amendments to the Revitalization Tax Exemption Bylaw to limit the ability for applicants to benefit from multiple incentive programs (commonly known as "double-dipping") on rental/micro-unit housing developments.
- 2) Amendments to the Zoning Bylaw to create a land use definition for micro suite housing and limit its use to specific areas of the City such as the city's Urban Core and around the University South Village Centre.
- 3) Amendments to update the Zoning Bylaw to require additional on-site amenity space for micro-suite developments to ensure that a high quality of life for tenants and long-term viability of this form of housing is accommodated on development sites of this nature.

## 2.0 Purpose

To provide Council with a policy update that addresses the impacts of micro-suites in Kelowna and receive Council direction.

## 3.0 Urban Planning

In 2008 the Province updated the *Local Government Act* legislation pertaining to Development Cost Charges. This update included a DCC payment exemption for new residential units with sizes less than 30<sup>m</sup><sup>2</sup> (322 sq. ft). The intent at the time was to support the creation of small affordable housing units.



At the same time, City staff also amended Kelowna's DCC bylaw to allow DCC's to be charged on a per square foot basis for units smaller than 50 m<sup>2</sup> (540 sq. ft). This was also a measure meant to make smaller units more affordable.

Initially, there was no developer interest in the smaller suites. However, in late 2014 several applications for micro-suite projects were submitted to the City.

Accordingly, 3 of the 4 micro-suite development applications have already been approved by Council (as noted below in the following table). During the public process, some concern was expressed during this approval process by both Council and staff relating to the lost revenue and impacts on the DCC program and more importantly, on the liveability of Kelowna's neighbourhoods.

Address	Project Name	# Units	Status
1507-1511 Dickson Ave	Purpose Built Rental Housing	40 micro units	Approved By Council
2127 Ethel St	Purpose Built Rental Housing	24 micro units	Approved By Council
840-842 Academy Way	Student Housing/Purpose Built Rental Housing	251 micro units	Approved By Council
540 Osprey Avenue	Market Condo Housing	4 micro units	In Process

The gross amount of DCC revenue lost with the micro-suite development approved to date is approximately \$1.7 million.

#### 4.0 Discussion

Micro-suites are an emerging form of housing that serves a limited market niche. They allow the City to increase housing density, especially in urban areas, without consuming scarce land that could be developed for community amenities or other uses. City and Provincial policies have supported this form of housing as a means to promote high density living and offer an alternative form of accommodation in desirable communities.

However, recent developments in Kelowna have generated concerns over certain aspects of micro-suite development. Discussion at both the staff and Council levels has focused on the following issues:

- 1) Revenue loss from DCC exemption.
- 2) Ability for developers to combine micro-suite DCCs with other tax exemptions and grants, effectively double dipping on development incentives.
- 3) Lack of a mechanism to ensure that micro-suites are developed in appropriate locations.
- 4) Adequate on-site amenity space for residents.

## **DCCs**

Approximately \$1.7 million dollars in DCC revenues have been foregone with the 315 micro-suites approved to date. These foregone revenues have not been calculated into the current DCC program and will eventually need to be replaced from other sources.

The City has limited abilities to levy DCCs on micro-suites, owing to the senior government restrictions. Therefore, the DCC program will have to be adapted to consider the impacts of non-DCC paying micro-suite development, and possibly increase other DCCs accordingly to cover those impacts.

Micro-suites are only Development Cost Charge exempt when they are constructed for a residential purpose with tenancy periods of greater than 30 days, as is required in every City of Kelowna residential zone. Any micro-suites with proposed tenancy periods of less than 30 days would require a rezoning to a zone allowing the “apartment hotel” land use and the payment of DCC’s.

When the DCC program is next updated, it is recommended that allowances be made to recognize the foregone revenue from future micro-suites as a small proportion of the anticipated housing compliment in the City.

## **Incentives**

To encourage the development of certain forms of housing in certain areas of the community, the City offers several forms of development incentives.

The City Revitalization Tax Exemption reduces property taxes in certain parts of Kelowna - the Downtown and Rutland Centre - for purpose built rental housing or mixed use development. This is intended to encourage development in key strategic locations. A micro-suite development built in a tax incentive area would currently be eligible for this tax incentives. In these instances, not only would the micro-suite developments not be paying DCCs, but they would also be granted a tax holiday for up to 10 years. This double dipping increases the burden on other funding sources.

The City also maintains a Housing Opportunities Reserve Fund to offer supportive grants to purpose built rental housing. The HORF is disbursed to qualifying projects in the form of a per unit grant intended to offset the costs of DCCs. Where a micro-suite development includes mixed uses, these grants can be applied to the non-micro suite portion of the project. Because the City only allocates \$200,000 a year for these grants, any draw from micro-suite related projects reduces the amount available for other projects.

When these programs were developed, micro-suites were not a common form of development. Staff is recommending that the programs be amended to include considerations for micro-suite development, to avoid overlapping incentives being given to projects that may not meet the intent of the programs.

## **Zoning Bylaw**

The City of Kelowna Zoning Bylaw does not define 'micro-suites'. Without a definition, they are classed simply as multi-family development, and permitted anywhere that multi-family development is permitted. Because of the small size of the units, it is expected that future residents will need to take advantage of surrounding amenities, rather than stay indoors. Staff are recommending that the bylaw be amended to specifically define 'micro-suites', so that they can be limited to areas of the community where there are extensive supporting amenities for future residents, such as downtown or near the University of British Columbia Okanagan.

The other benefit to amending the Zoning Bylaw to define 'micro-suites' will be to allow the City to establish specific regulations regarding micro-suites. These may include requirements for on-site amenities, such as exercise facilities or entertainment rooms, to make up for the lack of living space provided within the units themselves. Alternatively, micro-suite developments could be required to provide additional outdoor amenity space given the lack of contribution to parks DCCs.

The combined effect of the lack of policy on micro-suites is a compounding problem. Micro-suites do not pay the DCCs of other projects, meaning that they do not immediately contribute to infrastructure expansion and park purchasing. If they are eligible for tax incentives, they also do not contribute to City operational funding for the duration of the incentive. Finally, without clear zoning policies regarding where micro-suites may be located and what amenities they are required to provide onsite, city amenities such as parks may be unduly stretched to accommodate this form of housing.

### **5.0 Proposed Strategies:**

- 1) Ensure that DCC program is updated to reflect the impact of micro-suites during the next program update.
- 2) Amend the Zoning Bylaw to create a land use definition for micro suite housing and limit its use to specific areas of the City; notably the city's urban core and the University South Village Centre.
- 3) Update relevant policies to prohibit developers from "double-dipping" on rental/micro-unit housing incentives.
- 4) Review options to update the Zoning Bylaw to require additional on-site amenity space for micro-suite developments.

**Report prepared by:**

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Ryan Roycroft, Planner  
Urban Planning Branch

**Reviewed by:**



Ryan Smith, Urban Planning Manager

**Approved for Inclusion:**



Doug Gilchrist, Divisional Director  
Community Planning & Real Estate

# Report to Council



**Date:** May 14, 2015  
**File:** 1220-02  
**To:** City Manager  
**From:** James Moore, Long Range Policy Planning Manager  
**Subject:** Revitalization Tax Exemption Update

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## **Recommendation:**

THAT Council receives for information the report from the Policy and Planning Department, dated May 14, 2015 regarding the status of the revitalization tax exemption and rental housing tax exemption programs.

## **Purpose:**

To receive an update on the status of the revitalization tax exemption and rental housing tax exemption programs.

## **Background:**

### General Update

In 2006, Council established the Revitalization Tax Exemption bylaw (RTE) with the express intent of incentivizing significant investment in the Downtown and Rutland Urban Centres in the form of new development. To achieve this, the RTE bylaw allows qualifying developments eligibility for 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).

Between the years of 2006 and 2011, no qualifying development occurred in the tax incentive areas. In response to this, the incentive program was changed in 2012. Since that time, the following projects have benefitted from a revitalization tax exemption for the Downtown and Rutland Urban Centres:

**Figure 1: Developments Benefiting from Tax Exemptions in Urban Centres**

Address	Project Name	Urban Centre	Gross Floor Area (ft <sup>2</sup> )	Status	Application Number
596 Leon Ave	Leon Ave Commercial Office Building	City Centre	4,350	Complete	RTE11-0001
110-150 Hwy 33 West	Valley First Credit Union	Rutland	15,787	Complete	RTE12-0001
598 Sutherland Ave	4 Storey Apartment	City Centre	15,372	Complete	RTE12-0003
269-281 Lawrence Ave	Lawrence Avenue Office Building	City Centre	15,651	Complete	RTE12-0004
552-554 Leon Ave	Upper Avenue Professional Building	City Centre	41,089	Complete	RTE14-0001
225 Rutland Rd South	Robson Mews	Rutland	Proposed commercial on main and 21 residential units above	Pending	RTE14-0002
460 Doyle Ave	Okanagan Centre for Innovation	City Centre	106,027	Pending	RTE15-0002

### Rental Housing

In 2012, the RTE bylaw was amended to include provisions incentivizing the development of purpose-built rental housing<sup>1</sup> anywhere in Kelowna when the rental vacancy rate was below 3%. This supplements the direct financial contribution to rental housing that the City makes annually through the Rental Housing Grants program, and only becomes active when the vacancy rate moves below 3%, indicating a constrained rental market. Since its introduction, the following projects have benefitted from a revitalization tax exemption for rental housing:

**Figure 2: Rental Housing Developments Benefiting from Tax Exemptions**

Address	Project Name	# Units	Status	Application Number
598 Sutherland Ave	4 Storey Apartment	16 apartment units	Complete	RTE12-0003
1155 Brookside Ave	Brookside City Homes	70 townhouse units	Complete	RTE12-0005
1507-1511 Dickson Ave	Purpose Built Rental Housing	90 apartment units	Pending	RTE14-0003
2127 Ethel St	Purpose Built Rental Housing	24 row house units	Pending	RTE15-0001

<sup>1</sup> "Purpose-Built Rental Housing" means a self-contained building(s) containing five or more Dwelling Units that are intended to be used for rental housing and does not include buildings that are stratified. Purpose-built rental housing meets an identified need for affordable housing in the city. Since rent is controlled within rental buildings under the Residential Tenancy Act, this is a form of affordable housing.

Activity in this area has been limited, as the vacancy rate was over 3% until recently. At present, the vacancy rate is estimated at 1%, among the lowest in Canada<sup>2</sup>. Interest in the tax exemption for rental housing has increased considerably. Formal applications will be brought forward for Council consideration individually.

### Tax Incentive Area 3

Within the Downtown Urban Centre, the RTE bylaw stratifies the available tax exemptions by priority areas so that the areas of highest priority for investment receive the greatest tax benefit. Downtown is divided as follows, and as illustrated on the Attachments 1 and 2:

**Tax Incentive Area 1:** Up to 100% tax exemption for 10 years on the eligible amount

**Tax Incentive Area 2:** Up to 100% tax exemption for 10 years on the eligible amount for larger buildings only (40,000 ft<sup>2</sup> or greater), and between 50-75% for smaller buildings

**Tax Incentive Area 3:** Up to 50% tax exemption for 10 years on the eligible amount for larger buildings only (40,000 ft<sup>2</sup> or greater), *with a cap of 200,000 ft<sup>2</sup> in to total for the area.*

Within these three tax incentive areas, Area 3 receives the lowest level of tax incentive and is also subject to a cap. As written, the bylaw states that the incentive for Area 3 is to be removed once Building Permits have been received for the first 200,000 ft<sup>2</sup> of eligible projects.

At present, Building Permits have been issued for 75,714 ft<sup>2</sup> of eligible developments within Tax Incentive Area 3, represented by the Sole development (note: the Library Parkade expansion is not included in this total, as it is not eligible for a tax exemption). This leaves 124,286 ft<sup>2</sup> of floor area remaining before the cap is reached. However, it is expected that the impending Building Permit for the Okanagan Centre for Innovation project will consume the overwhelming majority of remaining floor area available for a tax incentive. The estimated floor area at Development Permit stage was 105,935 ft<sup>2</sup>. Should the final Building Permit be issued for the same floor area, only 18,371 ft<sup>2</sup> of eligible development will remain within the threshold.

### **Discussion:**

#### General

Urban Centres are the vital hearts of successful cities. As its primary urban centre, Downtown is recognized as playing a unique and prominent role in Kelowna's future. Supported by the OCP and the Downtown Plan, and implemented through considerable private and public investment, Downtown Kelowna is becoming a safe, vibrant and sustainable centre. And, tax incentives continue to play a positive role, helping to ensure that new private investment is

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<sup>2</sup> Canada Mortgage and Housing Corporation (CMHC). "Rental Market Report – Kelowna CMA", Fall, 2014.



happening where it is needed most, creating a Downtown where residents truly can live, work and play.

Within the Downtown, there has been considerable uptake of the Revitalization Tax Exemption program. However, uptake in Areas 1 and 2 of the Downtown has still been limited despite its more generous incentive structure. Development in these areas is growing and is showing promise, with major projects on the horizon such as the Westcorp Hotel and the IHA building; but, there remains an absence of residential or major mixed-use development in Areas 1 and 2, with new investment in these areas focused on office and retail space. This suggests that maintaining a high level of tax incentives for development in these areas is warranted to stimulate private investment.

In the Rutland Urban Centre, two projects have made use of the revitalization tax incentive program. The first was the Valley First building at the corner of Highway 33 and Rutland Road, and the second was for a mixed use building (Robson Mews). While these projects have been valuable additions to Rutland, attracting greater investment through tax incentives is still required to ensure that Rutland achieves its full potential as a vital and animated centre.

As for the tax incentive for purpose-built rental housing, it seems to be serving its purpose well. As rental rates increase in a constrained market, the development community begins examining more seriously the market viability of rental projects. Anecdotal feedback from the development community suggests that the City's rental housing incentives are playing an important role in ensuring the viability of rental developments. As such, staff are not recommending any changes to this provision of the tax exemption program.

However, more recently, developments are moving to take advantage of multiple overlapping development incentives. This has been witnessed in recent "micro-suite" proposals that would benefit from Development Cost Charge (DCC) exemptions and tax exemptions simultaneously. Staff from the Urban Planning Department will be bringing forward a separate report to Council on this subject in the very near future, including a discussion of its impacts, financial and otherwise that should be considered comprehensively.

### Tax Incentive Area 3

The existing Revitalization Tax Exemption Bylaw contemplates a temporary incentive for Area 3 that expires when development in the area reaches a cap of 200,000ft<sup>2</sup>. The intent behind this was to "kick start" investment in this area such that once development activity reaches the point of self-sufficiency, municipal financial assistance will be removed.

With the coming of the Okanagan Centre for Innovation, Area 3 will have seen considerable private and public sector investment in larger scale projects. Meanwhile, a number of smaller scale buildings, additions and renovations have also taken place in recent years in Area 3. These are summarized in Figure 3.

**Figure 3: Smaller-Scale Building Activity in Area 3**

Address	Project Name	Gross Floor Area (ft <sup>2</sup> )	Status
598 Sutherland Ave	Apartment Building	15,372	Complete
1310 Water St	The Delta Grand restaurant	323	Complete
1370 Water St	Kelowna Yacht Club	24,100	Complete

615 623 625 633 635 645 Fuller Ave & 1373 1375 Bertram St	Kensington Apartments	21,600	Complete
550 Rowcliffe Ave	Karis Housing Society	24,660	Under Construction
1226 St Paul St	CTQ	6,386	Complete

The largest contribution to development in Area 3 is expected to occur as Central Green builds out over the coming years. While development in Central Green may only be eligible for incentives for rental housing (depending on vacancy rates), it does contribute to the overall impression that Area 3 is moving in the right direction and is no longer in need of a tax incentive.

Providing the tax incentive to assist development comes at a significant cost to the City in terms of lost revenue (see Financial/Budgetary Considerations for more detail). It is estimated that the cumulative impact of the tax incentive for Area 3 will be \$909,000.00 in lost tax revenue. As Area 3 matures, this tax revenue will be needed to ensure that the amenities, services and infrastructure are in place to support creating an even more vibrant and active Downtown.

In addition, removal of the incentive from Area 3 at its cap, as currently written in the bylaw, may serve to focus new development in Areas 1 and 2, which are seen as priority areas for private sector investment. This would coordinate well with the City's recent and significant capital expenditures in these areas, including the Queensway transit exchange, Stuart Park, the Memorial Parkade and Bernard Avenue streetscape and utility project, among others.

#### **Internal Circulation:**

City Clerk  
Director, Financial Services  
Manager, Urban Planning  
Director, Real Estate Services  
Divisional Director, Community Planning & Real Estate

#### **Legal/Statutory Authority:**

Revitalization Tax Exemption Program Bylaw No. 9561, 2006  
Community Charter, Division 7, Section 226

#### **Legal/Statutory Procedural Requirements:**

According to the Revitalization Tax Exemption Bylaw No. 9561, no further applications for tax exemption in Tax Incentive Area 3 will be accepted, once the threshold of 200,000 ft<sup>2</sup> has been reached.

#### **Existing Policy:**

Official Community Plan Bylaw No. 10500

**Objective 5.9** - Support the creation of affordable and safe rental,

non-market and/or special needs housing.

**Policy 5.1.3 - Rutland & Downtown Revitalization Tax Exemption.** Provide a revitalization tax exemption for the municipal portion of the annual taxes on improvements for development within the City Centre and Rutland Town Centre as per Revitalization Tax Exemption Bylaw No. 9561.

#### Downtown Plan

**Action Item 16** - Provide financial incentives for affordable housing.

#### **Financial/Budgetary Considerations:**

Tax exemptions may at first appear relatively low impact for municipalities, as they do not require up front capital contributions. Instead, the financial impact of tax exemptions is felt in lost revenue for municipal budgets in the years after development occurs. For instance, it is estimated that the impact of lost tax revenue for the 200,000ft<sup>2</sup> of development in Area 3 is \$90,900.00/year<sup>3</sup>, for a 10 year total impact of \$909,900.00. Applying this methodology more broadly, large projects such as Central Green and the Westcorp Hotel will result in the loss of considerable tax revenue. This revenue may be needed to create the infrastructure to support more intensive development in the Downtown.

#### **Considerations not applicable to this report:**

Personnel Implications  
External Agency/Public Comments  
Communications Comments  
Alternate Recommendation

Submitted by:

James Moore, MCIP, RPP  
Long Range Policy Planning Manager

Approved for inclusion:



D. Gilchrist, Div. Dir., Community Planning & Real Estate

Attachments:

Attachment 1 - Map of the Downtown Tax Incentive Areas

<sup>3</sup> This assumes that the value of municipal taxes for commercial development within the downtown is \$1.00/square foot, and \$0.49/square foot for residential development. Tax Incentive Area 3 only provides an exemption from 50% of the municipal portion of property taxes, which equates to \$0.50/square foot for commercial and \$0.24/square foot for residential.

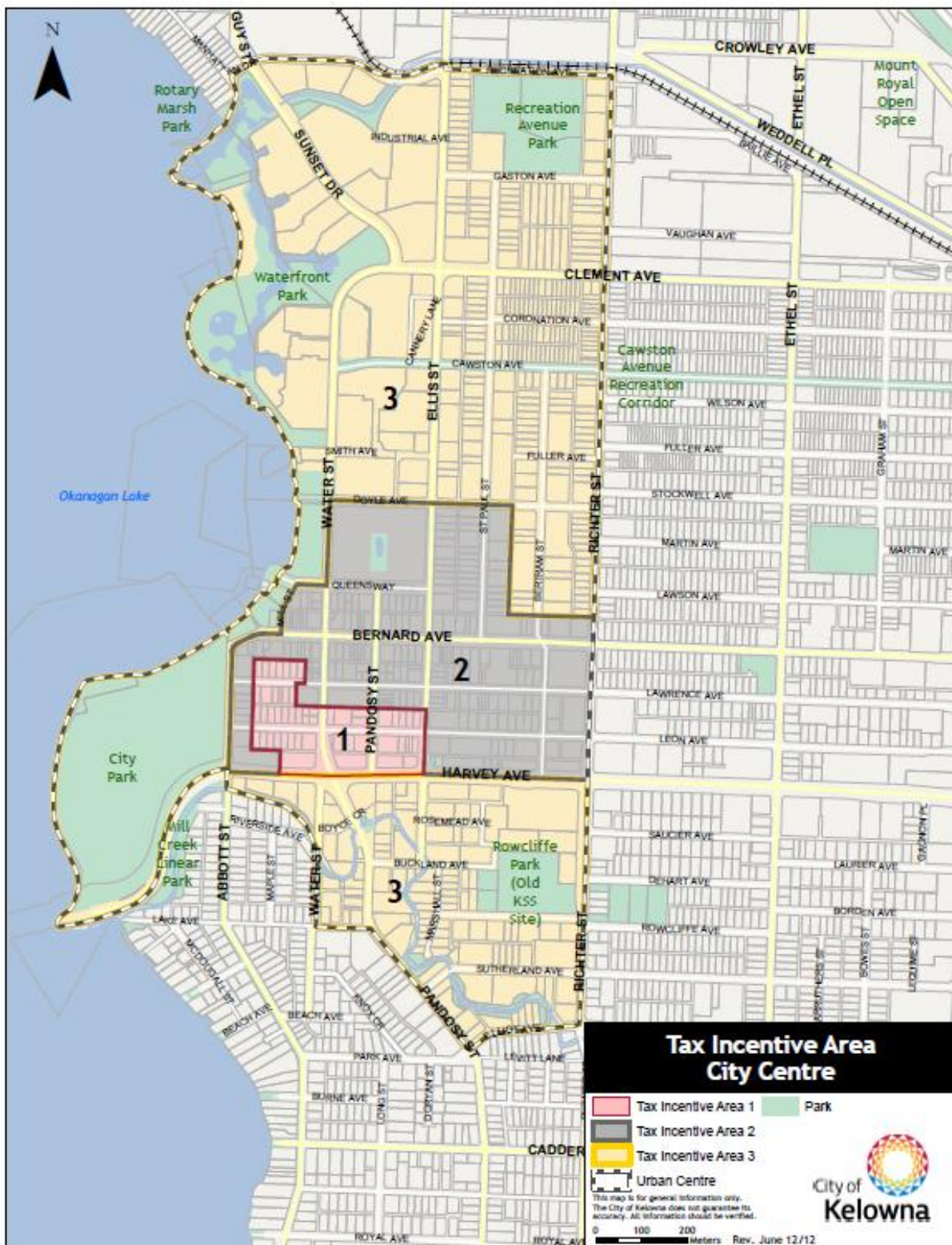
Attachment 2 - Map of the Rutland Tax Incentive Area

cc:

D. Gilchrist, Divisional Director, Community Planning & Real Estate

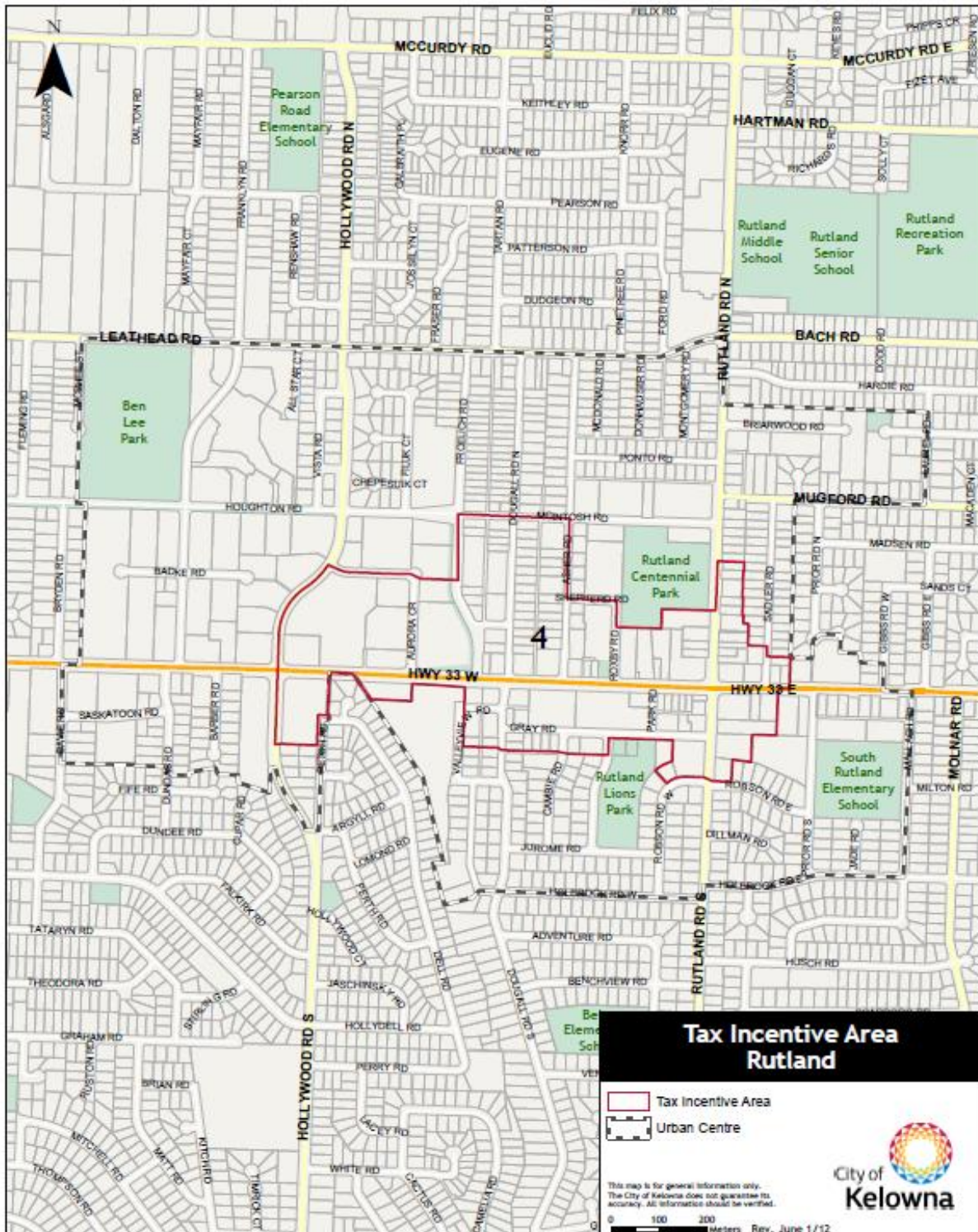
D. Noble-Brandt, Department Manager, Policy & Planning

## Attachment 1 - Downtown Tax Incentive Areas





## Attachment 2 - Rutland Tax Incentive Area



# REVITALIZATION TAX EXEMPTIONS





# PURPOSE

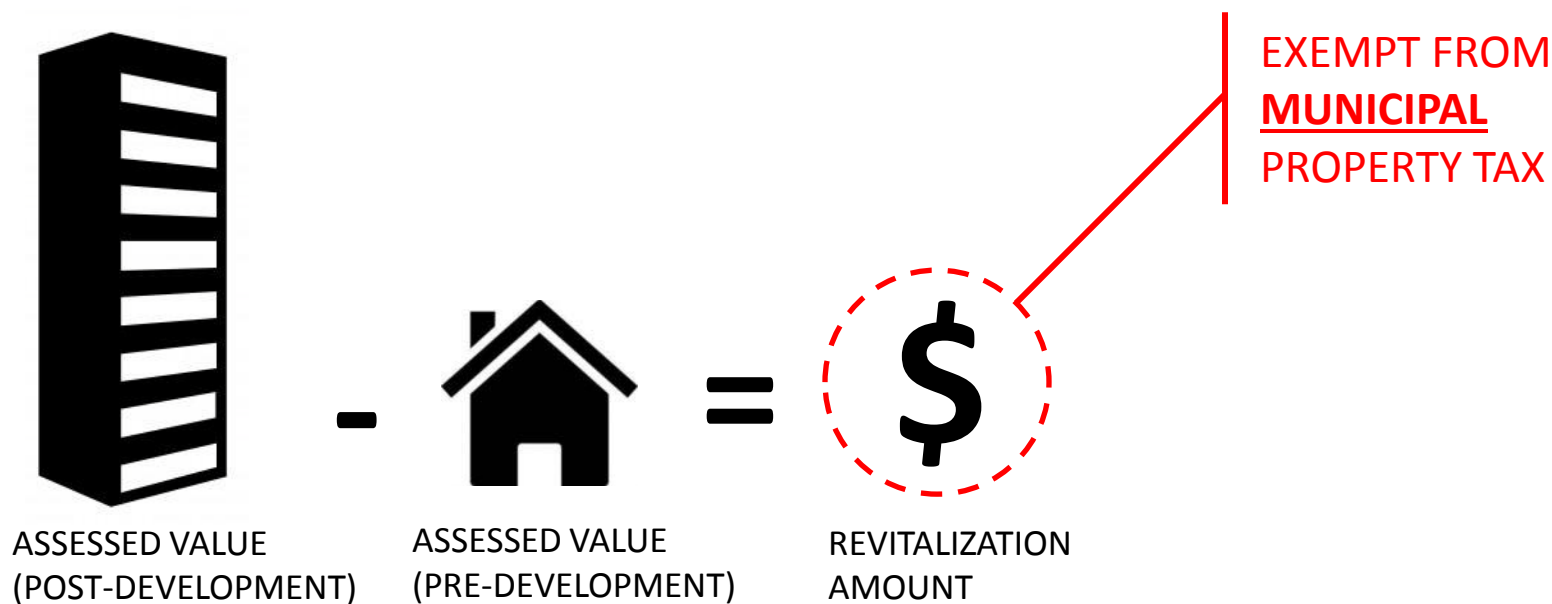
- ▶ Annual reporting cycle
- ▶ Development activity



## BACKGROUND

- ▶ Previously low level of downtown development
- ▶ Provincial legislation
- ▶ Opportunity to provide incentive
  - ▶ No capital cost, but lost revenue

## BACKGROUND



## BACKGROUND

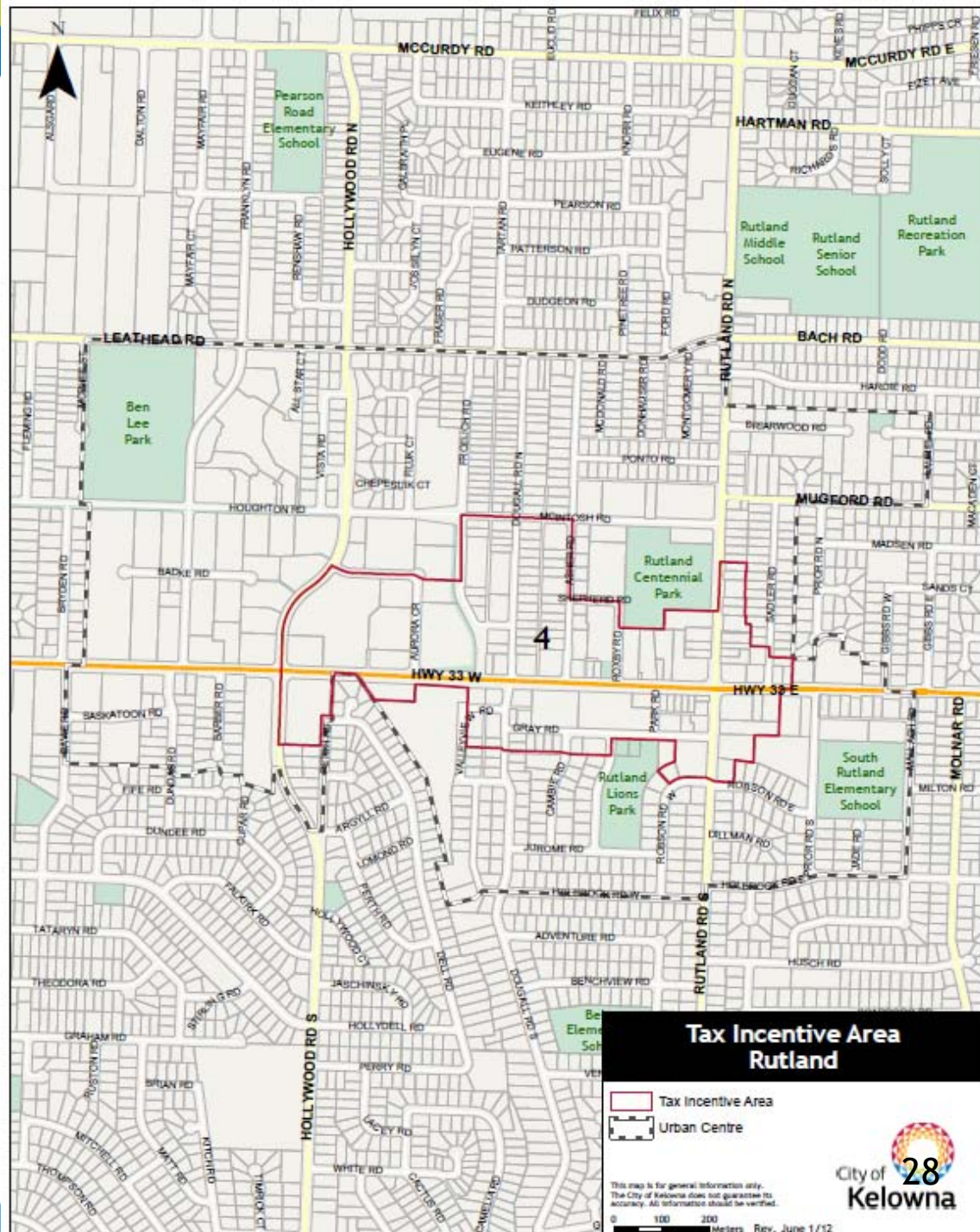
- ▶ Updated RTE Bylaw identifies 4 areas:
  - ▶ 3 areas are located in Kelowna's City Centre (Downtown)
  - ▶ 1 area is located in Rutland
- ▶ Areas offer different incentives
- ▶ Also includes purpose-built rental buildings

# CITY CENTRE TAX INCENTIVE AREAS





# RUTLAND TAX INCENTIVE AREA



## DISCUSSION

- ▶ City Centre Tax Incentive Areas
  - ▶ Areas 1 & 2 (Downtown Core) seeing improvement
  - ▶ Area 3 is doing well and more to come
  - ▶ Area 3 threshold
- ▶ Rutland Tax Incentive Area
  - ▶ Some uptake, but more needed



# DISCUSSION

- ▶ Purpose-Built Rental Housing
  - ▶ Quiet until recently
  - ▶ Several projects interested or under application
  - ▶ Projects using overlapping incentives (DCC exemption & RTE)
    - ▶ Urban Planning report forthcoming

## SUMMARY

- ▶ Significant financial impact
- ▶ Infrastructure still needed
- ▶ In some areas, incentive may no longer be needed

## MOVING FORWARD

- ▶ City Centre Tax Incentive Area 3 threshold performing as anticipated
- ▶ Ongoing monitoring and reporting

# Report to Council



**Date:** May 15/15  
**File:** 1200-40  
**To:** City Manager  
**From:** James Moore, Long Range Policy Planning Manager  
**Subject:** Infill Challenge

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## **Recommendation:**

THAT Council receives, for information, the report from the Long Range Policy Planning Manager, dated May 15, 2015, with respect to the Infill Challenge project;

AND THAT Council endorses the public engagement phase as identified in the report from the Long Range Policy Planning Manager dated May 15, 2015.

## **Purpose:**

To inform Council about the Infill Challenge project as it moves into the public engagement stage.

## **Background:**

The Infill Challenge is a project whose aim is to bring forward new concepts for infill housing in Kelowna's core neighbourhoods in a manner that respects the values of existing residents, understands the needs of potential residents, and integrates the economic realities of the development industry. The Infill Challenge is not a complete Infill Housing Strategy. Rather, the project aims to be a catalyst to demonstrate that infill housing can make positive contributions to neighbourhoods, helping to move the community dialogue on the topic forward.

Examining new forms of infill housing is supported by direction in the Official Community Plan (OCP), which seeks to create compact, walkable neighbourhoods in the city's Urban Core in the place of new suburban neighbourhoods on the city's fringe. The Housing Strategy provides further support for this project, re-affirming the importance of creating a diverse, healthy community, while also providing for a broad range of housing needs. Additionally, in the recently completed Citizen Survey, residents identified "encouraging a diverse supply of housing options at different price points" as one of their top two priorities.

The study area for the Infill Challenge is shown in *Attachment 1*, and generally includes those most central portions of the Urban Core that have relatively consistent lot sizes and lane access. These areas are also immediately adjacent to established Urban Centres (Downtown, South Pandosy), helping to support their long-term success.

In March of 2015, the Senior Leadership Team identified the Infill Challenge as a corporate priority project for the year. Background and best practices research is now concluding, and the project is ready to move into the public engagement phase.

### Process & Timeline:

To be effective, infill housing must meet three key objectives:

1. Infill housing must respect and complement the character of existing neighbourhoods
2. Infill housing must be economically viable
3. Infill housing must meet overall growth and housing objectives

To meet these interdependent objectives, the Infill Challenge is taking an approach that will see area residents, housing experts, and design and development community members working together to identify principles and guidelines that will tailor infill housing for the Kelowna context. Then, the City will issue a Call for Proposals from the development community to bring forward their designs for infill housing using the guidelines as a base. Proposals will be evaluated and the best submissions will be offered incentives through the development process.

Below is a more detailed process outline for the Urban Infill Challenge:



It is anticipated that the panel workshops will be completed in mid to late June, and that the Call for Proposals will be concluded in the fall. The announcement of winners will be in the late fall, followed by a review of existing bylaws and processes to identify opportunities for incentives in the early winter of 2015 into early 2016. The bylaw and process changes will be brought forward for Council consideration in early 2016.

There will be multiple touch-points with Council on this project. The first major opportunity is anticipated to be at the conclusion of Phase 3. At that time, staff will bring forward a list of recommended winners for Council endorsement. Phases 4 and 5 will include further Council reporting as staff work to implement any changes to bylaws or processes needed to permit the forms of infill development selected as winners.

#### **Other related initiatives:**

In tandem with the process described above, Urban Planning Department staff has also been working on a pilot project to create a narrow lot duplex housing zone. The working name for this new type of zoning is the RU7 - Narrow Lot Duplex zone. Staff have partnered with a local development team who are in the process of seeking out appropriate land for 1 or two pilot projects to test the new zone prior to its use as part of the Infill Challenge.

Staff has researched average lot sizes in the 2 of the City's residential urban core areas and built the new zone based on this information, and additional research from narrow lot housing projects in Calgary and Vancouver.

The goal would be to allow the construction of pilot projects under a newly adopted RU7 zone, assess the projects and then make any updates to the zone that may be required. These in turn would feed into the Infill Challenge process.

The external development team that has been working with staff did secure a property and performed a public consultation exercise. The neighbor feedback resulting from this process was unfortunately quite negative and as such, the development team is working with staff on identifying appropriate properties elsewhere in the identified urban core areas.

#### **Internal Circulation:**

Manager, Urban Planning  
Divisional Director, Community Planning & Real Estate

#### **Existing Policy:**

##### Official Community Plan (OCP) - Goals for a Sustainable Future

**1. Contain Urban Growth.** Reduce greenfield urban sprawl and focus growth in compact, connected and mixed-use (residential and commercial) urban and village centres.

**2. Address Housing Needs of All Residents.** Address housing needs of all residents by working towards an adequate supply of a variety of housing.

Kelowna Housing Strategy, 2012.

Recommendations number 2 (Communities),3 (Understanding),6 (Housing Mix),10 (Fee Simple Townhouses),11 (Courtyard Housing)

**Financial/Budgetary Considerations:**

The budget for the project is \$9,350, which is accounted for in the Policy & Planning Department budget for 2015.

**Communications Comments:**

Community engagement is a critical component of the Infill Challenge. A Communications Plan has been identified for the project that both *informs* and *involves* community and industry members. A dedicated website will be provided, and promotion will be through the City's electronic (e-subscribe) and social media forms. Community Panels and online forums will represent those portions of the project in which community members are directly involved.

**Considerations not applicable to this report:**

Personnel Implications  
External Agency/Public Comments  
Legal/Statutory Authority  
Legal/Statutory Procedural Requirements

Submitted by:



J. Moore, Long Range Policy Planning Manager

Approved for inclusion:



D. Gilchrist, Div. Dir., Community Planning & Real Estate

Attachment 1 - Infill Challenge Study Area

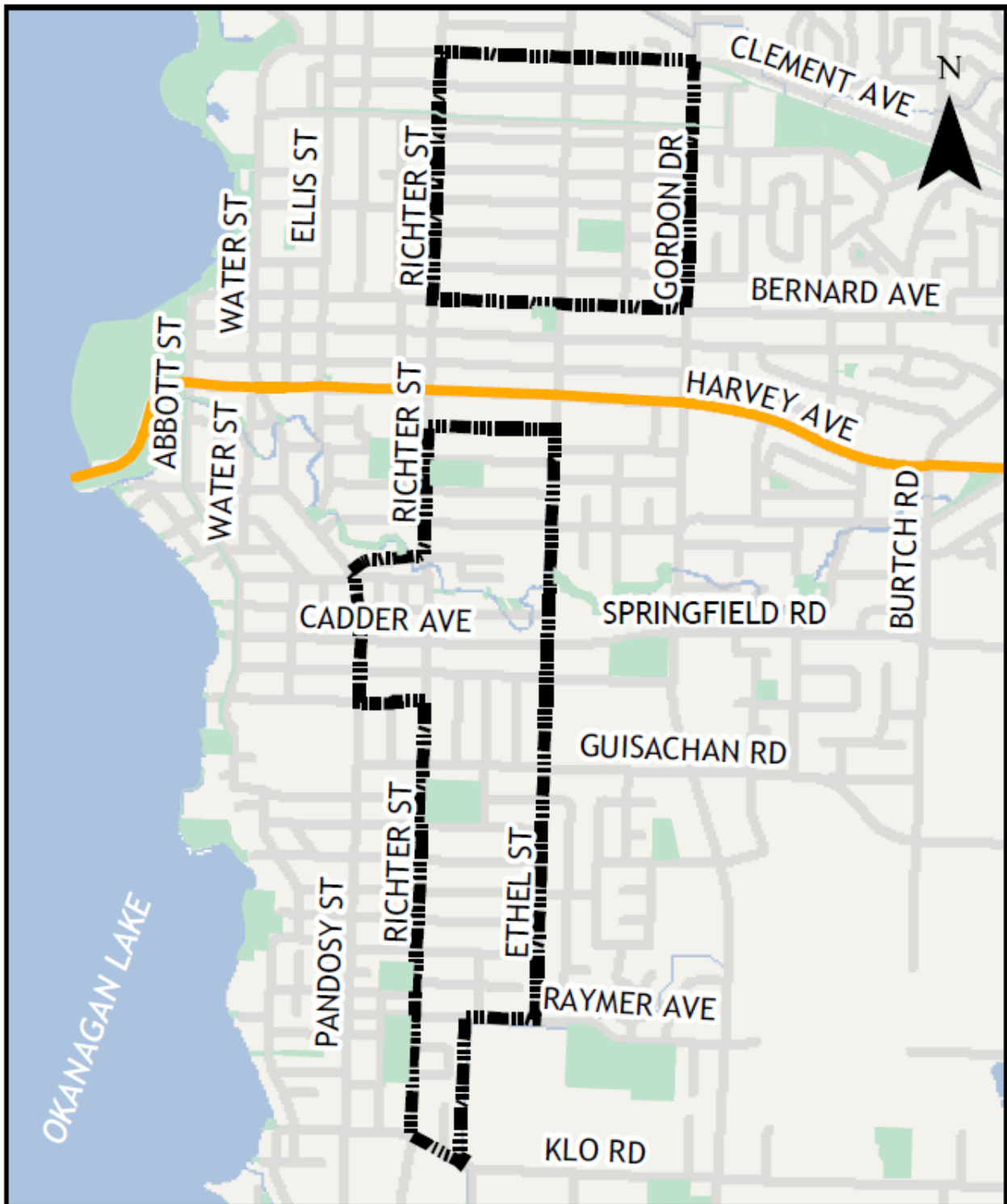
cc:

D. Gilchrist, Divisional Director of Community Planning & Real Estate  
R. Smith, Urban Planning Manager  
D. Noble-Brandt, Policy & Planning Department Manager  
S. Fleming, City Clerk  
D. Edstrom, Real Estate Services Director





Attachment 1 - Infill Challenge Study Area



# INFILL CHALLENGE



## PURPOSE

- ▶ Explore new forms of sensitive infill housing
  - ▶ Match private sector innovation with community needs
  - ▶ Select the best & provide incentives



## PURPOSE

### ► Infill housing is...

*“the development of new housing in established neighbourhoods.”*



Narrow detached



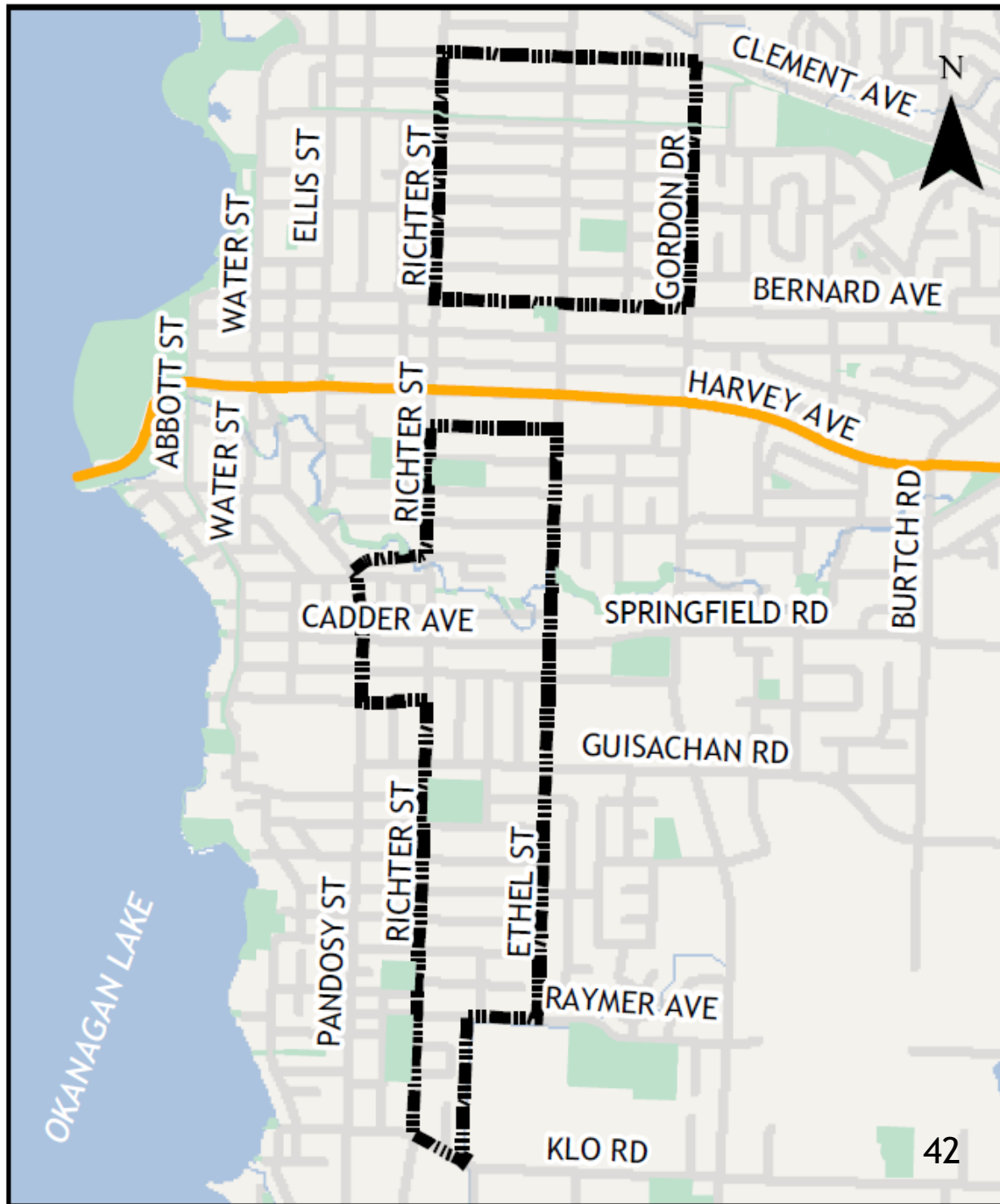
Narrow duplex



Four-plex

## STUDY AREA

- ▶ Supporting our urban centres
- ▶ Lane access
- ▶ Consistent lot configurations



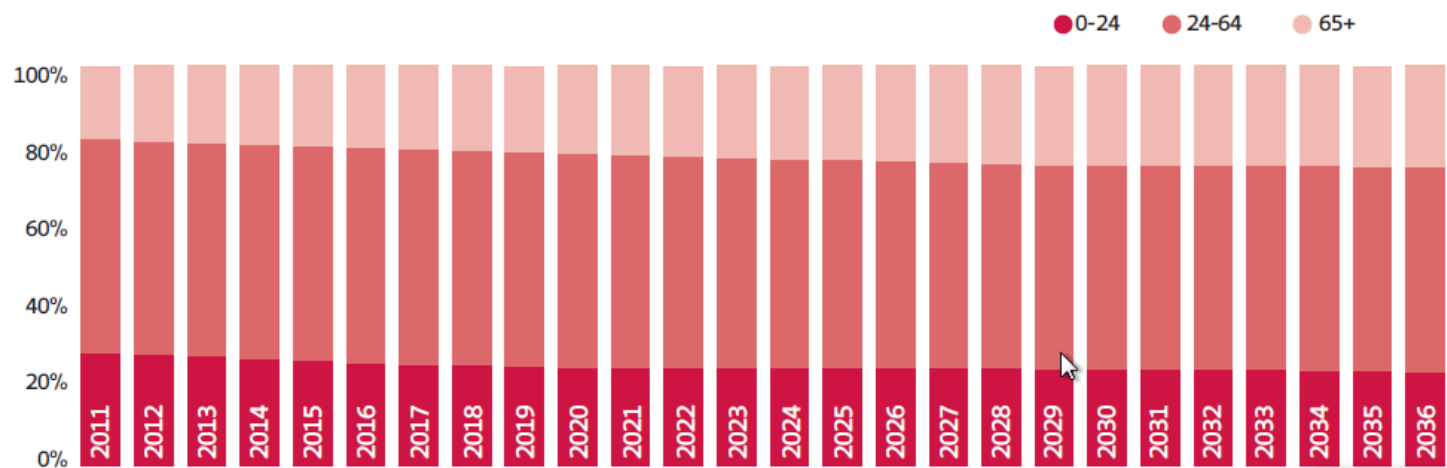
## BACKGROUND

- ▶ OCP Direction
- ▶ Housing Strategy
- ▶ Citizen Survey

# BACKGROUND

## ► Demographic changes

Projected age distribution, Kelowna CMA



Source: *Exploring Our Community - 2014 Community Trends Report*



## BACKGROUND

### ▶ Demographic changes

Median Age  
1996

**37**

Median Age  
2024

**43.1**

## BACKGROUND

### ► Demographic changes

Persons per  
Household  
1996

**2.4**

Persons per  
Household  
2024

**2.19**

# BACKGROUND

## ► Housing preferences



Source: PWC, Emerging Trends in Real Estate, 2015

## BACKGROUND

### ► Housing stock

Single  
Detached % of  
Housing Stock

**51%**

OCP Objective

**43%**

## BACKGROUND

### ▶ Infill benefits

- ▶ Increase housing diversity
- ▶ Match housing options to demographic and housing preference changes
- ▶ Builds complete neighbourhoods
- ▶ Makes efficient use of infrastructure

## PROJECT OVERVIEW

- ▶ Objective: to open to new forms of sensitive infill housing
- ▶ Process:
  - ▶ Phase 1: background & research (**complete**)
  - ▶ Phase 2: identify options & build framework
  - ▶ Phase 3: call for submissions
  - ▶ Phase 4: bylaw & process review
  - ▶ Phase 5: implementation

## PROJECT OVERVIEW

- ▶ Catalyst project
- ▶ Communications & Engagement
  - ▶ Panel system
  - ▶ Website
  - ▶ Mind-mixer
  - ▶ Regular Council check-ins



## PROJECT OVERVIEW

- ▶ Budget & timeline
- ▶ Next steps

## PILOT PROJECT

- ▶ RU7 - Narrow Lot Duplex
- ▶ Garnering neighbour support
- ▶ RU7 in draft form to be refined during process