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# CITY OF KELOWNA MEMORANDUM

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**Date:** December 8, 2004  
**File No.:** 6480-40  
**To:** City Manager  
**From:** Director of Planning and Corporate Services  
**Subject:** TAX INCENTIVES FOR REVITALIZATION OF URBAN CENTRES

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## RECOMMENDATIONS

THAT Council endorse the terms of the tax incentive program outlined herein and direct staff to seek input from stakeholders prior to final consideration;

AND THAT Council endorse the terms of the parking credit program outlined herein as an extension of *Council Policy 314, Parking Credits for Mixed Use Developments in the Downtown*, and direct staff to seek input from stakeholders prior to final consideration.

## BACKGROUND

On August 30<sup>th</sup>, 2004 Planning and Corporate Services proposed terms of a tax incentive program to a workshop session of Council. In response to that presentation, Council instructed staff to investigate refinements and options with respect to the program presented.

As a result of the direction from Council, further discussion regarding the terms of the program to stimulate development took place with the Urban Centres Implementation Committee (UCIC). The discussions with UCIC resulted in the recommendations set out in this report, including refinement of the tax incentive area boundaries and the addition of a parking credit applicable to the Downtown tax incentive area.

## DISCUSSION

### Tax Incentive Program

As per the August 30<sup>th</sup> report from Planning and Corporate Services, property tax relief is available to municipalities under provincial legislation as a tool to encourage revitalization within designated areas. The terms of the proposed tax incentive program are set out in Attachment 1: Tax Incentives for Revitalization of Urban Centres.

Granting of exemptions would be through the permissive tax exemption process. No exemptions could therefore be granted without Council's approval. Moreover, the merits of individual applications would be assessed by staff prior to the exemption taking effect to assure each proposal met the terms and conditions of the program. As this policy would be adopted by resolution, Council would at any time be able to end or amend the program.

### Parking Credit Program

In addition to the proposed tax incentive program, and in response to direction from the Urban Centres Implementation Committee, staff propose an extension of *Council Policy 314, Parking Credits for Mixed Use Developments in the Downtown..*

As proposed, 25 parking credits in addition to those available under Council Policy 314, would be available for the commercial component of new development within the Downtown tax incentive area, according to the terms set out in Attachment 2 (proposed changes in italics).

The parking credits would be granted by way of a Development Variance Permit Application. As such, the merits of individual applications could be assessed as received. As well, Council would at any time be able to end or amend the program.

This potential revision to Council Policy 314 was discussed with and supported by the Parking Committee at its meeting on October 21, 2004.

### Planning Comments

Analysis by staff suggests that the proposed tax and parking credit incentives in themselves, would not be enough to make a project profitable<sup>1</sup>. Nevertheless, the incentives would have a positive impact on project profitability. It is expected they would be well received by the development industry with the result that the incentives could help trigger development within the target areas.

Should Council desire, a draft Council Policy with regard to Tax Incentives for the Revitalization of Urban Centres and a draft Council Policy with regard to proposed revisions to Council Policy 314, could be referred for input from stakeholders before being forwarded for Council's final consideration.

### SUMMARY

The above-noted principles regarding tax exemptions for new development could serve as the basis for a Council Policy relating to "Tax Incentives for the Revitalization of Urban Centres". Additionally, the terms set out above related to parking credits for new development could serve as the basis for revisions to Council Policy 314 to further stimulate development within a specified area of Downtown.

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<sup>1</sup> Pro forma analyses of a hypothetical scenario within the proposed Downtown tax incentive area saw the internal rate of return improve from 1.27% to 1.43 %. An IRR of 10% is considered necessary for a project to be worth undertaking.

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Gary Stephen, Acting Manager  
Policy, Research & Strategic Planning

Approved for inclusion

R.L. (Ron) Mattiussi, ACP, MCIP  
Director of Planning & Development Services

Attachments

cc: Director, Financial Services  
Manager, Community Development and Real Estate  
Council Services Supervisor/Acting City Clerk

ATTACHMENT 1: Tax Incentives for the Revitalization of Urban Centres

ATTACHMENT 2: Proposed Revisions to Council Policy 314