
MEETING TYPE AND DATE:

REGULAR MEETING – OCTOBER 5, 2021

AUTHOR:

FINANCE

SUBJECT:

**AVANA AFFORDABLE RENTAL HOUSING PROPOSAL FOR
9960/9970 BOTTOM WOOD LAKE ROAD**

ESSENTIAL QUESTION:

Objective 7.1.3 of the Official Community Plan is: “Promote the availability of affordable housing”. Does the proposal that Avana Developments Incorporated (Avana) presented help the District achieve this objective and if so what nature and level of support would the District be willing to provide?

OPTIONS:

- A. THAT Development Cost Charge Reduction Bylaw 1166, 2021 be read a first, second and third time.
- B. THAT Revitalization Tax Exemption Bylaw (9960 and 9970 Bottom Wood Lake Road) 1167, 2021 be read a first, second and third time.
- C. THAT staff be directed to prepare appropriate bylaws based on the feedback of Council for the level of financial support to be provided for Avana Developments Incorporated project 9960 and 9970 Bottom Wood Lake Road.
- D. THAT any support in the form of waiving or reducing Development Cost Charges or providing a Revitalization Tax Exemption for the Avana Developments Incorporated project at 9960 and 9970 Bottom Wood Lake Road be denied.

EXECUTIVE SUMMARY:

Average rental rates and sales prices have increased steadily over the last 5+ years in the District, causing affordability challenges for the community. Council has made it known through the OCP that affordable housing is a priority. Avana has presented a development to Council which includes 59 affordable rental units as per CMHC guidelines. The Local Government Act and Community Charter provide municipalities with multiple ways to support affordable housing. The level of support that can be provided per legislation ranges from zero to fully waiving DCC's and providing a full Revitalization Tax Exemption on the affordable units. It should be noted however, while the DCC's can be waived they must be replaced through other means. Additionally, incentivizing affordable housing through a Tax Exemption results in the broader tax base becoming responsible for the additional demand for municipal services and infrastructure caused by more residents joining the community. Partially reducing DCC's for the affordable units and utilizing the Building Permit revenues from the full development project to contribute to DCC's on the developer's behalf is a method that provides an incentive for a project in line with the OCP while having a minimal impact on the remaining tax base.

Key Information:

Planning & Development Department staff are reporting to Council in a separate report for a Development Variance Permit/Development Permit to allow a combined apartment/townhouse development at 9960 and 9970 Bottom Wood Lake Road. Council may wish to refer to that report for details on the development proposal itself. The housing is proposed to be rental and include 59 units that would be rented at affordable, below market value rates and targeted to women and their children. CHMC funding is being requested. The operator, Avana, has requested two types of municipal financial support to aid both the project and their application for CMHC funding:

1. 10 Year property tax abatement
2. DCC reduction

The applicants have also requested expedited permit processing which is supported by Council policy and addressed in the accompanying report from the Planning & Development Department (DP2019-034-C).

There are multiple tools that allow local governments to attract affordable housing projects to their communities. The two most significant ways a municipality can provide incentives for a project like this are through waiving/reducing DCCs on the affordable units or by providing a Revitalization Tax Exemption on the affordable units. Expediting permits is another incentive that has been outlined in the OCP and is being applied to this proposal.

DCC Waiver/Reduction

Section 563(1) of the Local Government Act provides legislation to allow local governments to reduce or waive DCCs for eligible developments which includes the following categories:

- a. Not-for-profit rental housing, including supportive living housing;
- b. For-profit affordable rental housing;
- c. A subdivision of small lots that is designed to result in low greenhouse gas emissions;
- d. A development that is designed to result in a low environmental impact.

To provide this incentive, Council must create a bylaw that defines this eligible development, the amount, or rates of reductions for the eligible development and the requirements that must be met to obtain the waiver or reduction.

See **Appendix A** for a breakdown of the affordable units in the Avana proposal. Waiving 100% of the DCCs for the affordable units would represent a \$677,508 incentive, reducing by 50% would represent a \$338,754 incentive.

Please note that creating a DCC waiver/reduction bylaw for the purposes of incentivizing affordable housing reduces the amount of DCCs collected to support development driven infrastructure growth without alternative funding. The intent of the legislation is not that future development picks up this lost revenue, but that existing taxpayers or development does. Future capital plans will reflect lowered DCC contributions on projects that are driven by the eligible development that has received a waiver. For example, if an eligible development triggers an upgrade to a road that serves the development, existing taxpayers will need to pay the portion that would have been attributable to DCCs on that road. That portion would require taxation funding or a reallocation of current taxation that would have a significant impact on other planned capital projects.

This project has an estimated construction cost of \$36.2 million. The District's building permit fees are set at 1.2% of the actual construction cost + \$500 meaning this development will provide the District approximately \$434,000 in permit fees. It is recommended that if Council is to provide support via a DCC waiver of 100% that these building permit fees be fully allocated to the DCCs to drastically reduce the burden to existing taxpayers. Or, in the event of a 50% DCC reduction, that \$338,754 of the building permit revenues be allocated to DCCs to eliminate the additional burden completely.

Revitalization Tax Exemption

Under Section 226(2) of the Community Charter, a council may, for the purpose of encouraging revitalization in the municipality, provide tax exemptions for land or improvements, or both. As part of a revitalization program, a Housing Agreement can be used to ensure the program accomplishes its objectives.

The Avana proposal included asking for a 10-year exemption on the affordable units which matches the maximum length of the exemption that the Community Charter allows.

Per **Appendix B**, a 100% exemption for 10 years would represent approximately a \$239,000 incentive. In providing this support, approximately \$22,000 - \$26,000 would need to be absorbed by the existing tax base each year.

As a revitalization tax exemption is a form of permissive tax exemption, public notice would need to be given every year as to the amount of the anticipated lost property tax revenues. This would need to occur and be submitted to BC Assessment prior to October 31 of each year, ensuring adequate time is built in for two weeks of advertising per public notice requirements.

Relevant Observations:

Affordable Housing Commitment

Whether reducing/waiving DCCs or providing an exemption, a Housing Agreement will need to be in place to ensure the affordable housing program achieves its objectives. In return for any significant incentives to be provided by the District of Lake Country in support of Avana's affordable housing proposal, the District will need to secure the provision of the affordable housing. This is typically done through a Housing Agreement, which is approved by bylaw, as per section 483 of the Local Government Act.

A Housing Agreement may include terms and conditions regarding:

- a) the form of tenure of the housing units;
- b) the availability of the housing units to classes of persons identified in the agreement;
- c) the administration and management of the housing units, including the manner in which the housing units will be made available to persons within a class referred to in paragraph (b);
- d) rents and lease, sale or share prices that may be charged, and the rates at which these may be increased over time.

With regards to the Avana development and the level of District support being offered, it would seem reasonable that the Housing Agreement Bylaw would regulate:

- 1. That the 59 affordable housing units be secured for at least 20 years as:
 - a. Rental only;
 - b. Offered to women and their families in need as a first priority;
 - c. Rents to be set at least 30% below Market Value
 - d. Rent increases during occupancy to be in accordance with the Residential Tenancy Act and CMHC requirements;
- 2. The remaining apartment units to be secured as rental units at market rates for at least 20 years.

If Council supports an option that would provide significant financial support for this affordable housing, then staff would report back with a Housing Agreement Bylaw prior to any financial support being provided. Avana and the District will need to come to a signed agreement on the proposed contents of the Housing Agreement to proceed.

Other Considerations

Providing a 50% DCC reduction and substituting the lost DCC dollars with the building permit fees from the overall project provides the most significant incentive while minimizing the current and future impact on the broader tax base.

It should be noted that there has been increased interest from developers with similar affordable housing proposals and that it is recommended that a formal policy be implemented in the near future for incentives provided for these types of projects as addressing these ad hoc increases the risk of inconsistent incentives and perceived unfairness.

Strategic Questions:

- Does Avana's proposal achieve the objectives of additional affordable housing per the OCP?
- What level of incentive is Council willing to provide?
- If incentives are given, are they in line with what you would hope to see in a future policy regarding incentives for affordable housing developers?

Strategic Relevance & Community Sustainability:

This project has strategic relevance as it is tied directly to an objective in the OCP to increase affordable housing.

Key Result:

Creates incentives for affordable housing which, in turn, provides a more sustainable, diverse community.

Desired Benefit of Key Result:

Create affordable housing in a market with significantly increasing, and unattainable for most, prices.

Unintended Outcomes:

Can set a precedent for the level of incentives that will be provided to other developers with similar affordable housing proposals.

CAO COMMENTS:

There are a number of other rental or affordable housing projects being considered by land owners and developers in Lake County. Any level of financial support for these projects must be balanced between the need for expanded housing stock types and the financial burden on existing taxpayers. The development of a policy will be important for fairness and equity in dealing with these projects and has become an emerging priority.

Technical Considerations:

- **Impact on Infrastructure and Other Municipal Services**

Unless Building Permit revenues are used to offset incentives given, the existing tax base will be required to absorb the cost of the additional residents in the new development utilizing municipal services and infrastructure.

- **Impact on Staff Capacity and Financial Resources (Cost/Benefit Analysis)**

May encourage additional affordable housing projects, which creates additional work for staff but also lengthens the timeline for other developments as it is the District's policy to prioritize and expedite any affordable housing projects as per the OCP (7.1.7b.). This could be partially offset if a standardized policy is implemented where incentives to future affordable housing projects would be set based on defined criteria.

Respectfully Submitted,

Trevor James, CPA, CA
Director of Finance & Administration, Chief Financial Officer

This report has been prepared in consultation with the following departments:

CONCURRENCES	
DEPARTMENT	NAME
Chief Administrative Officer	Tanya Garost
Planning Consultant	Gary Penway
Planner	Tamera Cameron
Corporate Officer	Reyna Seabrook

ATTACHMENTS:

Attachment A – Development Cost Charges

Attachment B – Revitalization Tax Exemption

Attachment C – Development Cost Charges Waiver Bylaw for Eligible Developments 1166, 2021

Attachment D – Revitalization Tax Exemption at 9960 & 9970 Bottom Wood Lake Road Bylaw 1167, 2021

Appendix A – Development Cost Charges (DCCs)

	Bachelor	1 Bed	2 Bed	2 Bed + Den	Townhouse	Total
Number of Units	18	40	80	32	26	196
Unit Size	312 sq. ft.	640 sq. ft.	685-965 sq. ft.	870-1000 sq. ft.	1457 sq. ft.	
Number of Affordable Units**	7	20	16	16	0	59
Percentage of Reduction (Average)	34%	43%	38%	32%	N/A	
Reduced Monthly Rent	\$ 658	\$ 834	\$ 1,029	\$ 1,362	N/A	
DCCs Per Unit	n/a*	\$ 13,029	\$ 13,029	\$ 13,029	\$ 13,029	\$ 13,029
Total DCCs	n/a*	\$ 521,160	\$ 1,042,320	\$ 416,928	\$ 338,754	\$ 2,319,162
Total DCCs of Affordable Units	n/a*	\$ 260,580	\$ 208,464	\$ 208,464	\$ -	\$ 677,508

*DCCs on units less than 29m² or 312 sq. ft. are not applicable.

**There are 52 affordable units proposed in this development which would normally be subject to DCCs.

Note: Application date was prior to the adoption of Amending Bylaw 1140 for Parks DCCs. DCCs are to be calculated from the time of application. Had the DCCs been applied at current rates, the per unit cost would be \$24,408.

Appendix B – Revitalization Tax Exemption

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Starting Build Value (Improvements)*	\$ 36,157,862	\$ 36,881,019	\$ 37,618,640	\$ 38,371,012	\$ 39,138,433	\$ 39,921,201	\$ 40,719,625	\$ 41,534,018	\$ 42,364,698	\$ 43,211,992
Municipal Portion Only of Tax**	\$ 89,917	\$ 91,716	\$ 93,550	\$ 95,421	\$ 97,329	\$ 99,276	\$ 101,262	\$ 103,287	\$ 105,353	\$ 107,460
Affordable Portion***	\$ 21,805	\$ 22,241	\$ 22,686	\$ 23,140	\$ 23,602	\$ 24,074	\$ 24,556	\$ 25,047	\$ 25,548	\$ 26,059
Total Value of 100% Exemption on Affordable Units										\$ 238,758

*Assumed inflation of 2% for build value

**Calculated based on 2020 tax rates (<https://www.lakecountry.bc.ca/Modules/Tax/Index.aspx>)

**24.25% of proposed square footage is in affordable units (39,864 sq. ft. out of 164,388 sq. ft.)

DISTRICT OF LAKE COUNTRY

BYLAW 1166

A BYLAW TO PROVIDE A REDUCTION OF DEVELOPMENT COST CHARGES

WHEREAS Section 563(1) of the *Local Government Act* permits a local government to waive or reduce a development charge by bylaw for eligible developments.

The Council of the District of Lake Country, in an open meeting assembled, enacts as follows:

1. DEFINITIONS

- 1.1 Definitions of words and phrases not included in this section shall have the same meaning assigned to them in the *Local Government Act* or the *Community Charter*, as the case may be.

“Eligible Development” means a development that includes not-for profit rental housing, including supportive living housing and for-profit affordable rental housing.

“DCC Bylaw” means the District of Lake Country Development Cost Charge Bylaw 950, 2016 as amended or superseded, from time to time.

2. ELIGIBLE DEVELOPMENT

- 2.1 For the purposes of this Bylaw, the affordable rental housing portion of the project proposed by Avana Developments Incorporated on lands having a civic address of 9960 and 9970 Bottom Wood Lake Road, Lake Country, BC and legally described as Lots B and C District Lot 118 Osoyoos Division Yale District Plan EPP90725, Roll 2259162 and Roll 2250163 (collectively, the “Lands”) is hereby considered an **Eligible Development**.
- 2.2 Development cost charges payable by Avana pursuant to the **DCC Bylaw** for the affordable rental housing portion of the Project on the Lands are hereby reduced by 50%.
- 2.3 In any case where part of a development constitutes an eligible development, and part does not, the development cost charge reduction shall only apply to the part of the development that constitutes an **Eligible Development**.
- 2.4 In order for the reduction in section 2.2 to be granted, a Section 219 Covenant in favour of the District of Lake Country must be registered with the Land Titles Office, guaranteeing:
- (a) the affordable rental housing on the Lands shall offer affordable rental rates in accordance with Canada Mortgage and Housing Corporation (CMHC) standards; and
 - (b) all other units on the Lands shall remain available for rental for a period of at least twenty (20) years from the date an occupancy permit is granted as agreed to in the Affordable Housing Agreement.

3. CITATION

3.1 This bylaw shall be cited as "Development Cost Charge Reduction Bylaw 1166, 2021".

READ A FIRST TIME this ____ day of _____, 2021.

READ A SECOND TIME this ____ day of _____, 2021.

READ A THIRD TIME this ____ day of _____, 2021.

ADOPTED this ____ day of _____, 2021.

Mayor

Corporate Officer

DISTRICT OF LAKE COUNTRY

BYLAW 1167

A BYLAW TO ESTABLISH A REVITALIZATION TAX EXEMPTION AT 9960 AND 9970 BOTTOM WOOD LAKE ROAD

The Council of the District of Lake Country in open meeting assembled enacts as follows:

1. DEFINITIONS

“Affordable Housing” means housing that is considered affordable per the guidelines set out by Canada Mortgage and Housing Corporation (CMHC).

“Building Permit” means authorization in writing from the **District** to perform building work regulated by the Building Regulation Bylaw of the day.

“Chief Financial Officer” means the financial officer of the **District** pursuant to Section 149 of the Community Charter.

“District” means the **District** of Lake Country.

“Exemption Certificate” means a Revitalization Tax **Exemption Certificate** issued by the **District** under this bylaw in respect of an eligible property.

“New Building” means the construction of a new separate building on a property and does not include additions to an existing building or foundation work only.

“Occupancy Permit” means authorization in writing from the **District** to occupy a building for its intended use.

“Exemption Agreement” means an agreement between the **District** and an owner of an eligible property under this program in respect of the matters described in Section 226(7) of the *Community Charter*.

2. REVITALIZATION TAX EXEMPTION PROGRAM

2.1 Council hereby establishes a revitalization tax exemption program:

- (a) for **Affordable Housing** on the property having a civic address of 9960 and 9970 Bottom Wood Lake Road, Lake Country, BC and legally described as Lots B and C District Lot 118 Osoyoos Division Yale District Plan EPP90725, Roll 2259162 and Roll 2250163 (collectively, the “Lands”).
- (b) with the objective of encouraging the construction of New Buildings that establish Affordable Housing in the District;
- (c) that will accomplish the objectives set out in section 2.1 (b) by providing property tax relief to property owners of the Land;
- (d) eligible to New Buildings on the Lands subject to a Building Permit;
- (e) where all new construction must conform to the land use designations and policies of the District’s Official Community Plan, as amended or superseded from time to time;

- (f) with the extent of the tax exemption available being on the assessed land and improvements of the **Affordable Housing** units and not the land or the improvements of the remainder of the development;
- (g) that has a maximum term of 10 years (the “**Term**”).

2.2 Criteria that made the development eligible for incentives under this bylaw must be maintained for the duration of the **Term**.

3. EXEMPTION CERTIFICATE

3.1 Prior to an **Exemption Certificate** being issued, the property owner shall:

- (a) have received an Occupancy Permit for the eligible portion of the development in accordance with this bylaw;
- (b) pay all property taxes, including penalties and interest, due and owing in respect of the Lands; and
- (c) enter into an **Exemption Agreement** with the **District** that sets out the terms and conditions for **Affordable Housing** including the rental use of the properties and affordability of rent charged under CMHC guidelines.
- (d) complete and not be in breach of the **Exemption Agreement** criteria.

3.2 Once conditions established under section 3.1 have been met an **Exemption Certificate** in accordance with the *Community Charter* must be issued for the property.

4. RECAPTURE OF EXEMPTED TAXES

- 4.1 Where a property subject to the revitalization tax exemption program ceases to meet the conditions of the **Exemption Certificate**:
- (a) the **Exemption Certificate** shall be cancelled;
 - (b) the current year taxes exempted in respect of the property shall be repaid plus interest, as if the taxes had never been exempted, and the Collector shall add those taxes to the Roll for that property. Interest shall be calculated as the Bank of Canada Prime Rate + 1% compounded annually.

5. DELEGATED AUTHORITY

- 5.1 The **Chief Financial Officer** together with the Corporate Officer are delegated authority to authorize, amend, terminate and sign **Exemption Agreements**.
- 5.2 The **Chief Financial Officer** is delegated authority to cancel **Exemption Certificates** at the request of the property owner or if the conditions specified in the **Exemption Certificate** are not met.

6. CITATION

- 6.1 This bylaw shall be cited as the “Revitalization Tax Exemption Bylaw (9960 and 9970 Bottom Wood Lake Road) 1167, 2021”

READ A FIRST TIME this __ day of _____, 2021.

READ A SECOND TIME this __ day of _____, 2021.

READ A THIRD TIME this __ day of _____, 2021.

ADVERTISED in the _____ and __, 2021 editions of the _____ newspaper and the _____ and __, 2021 editions of the _____ newspaper and posted pursuant to section 94(1) of the *Community Charter*.

ADOPTED this __ day of _____, 2021.

Mayor

Corporate Officer