LAKE COUNTRY
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Report to Council
District of Lake Country

MEETING TYPE:	**Regular Council Meeting**
MEETING DATE:	May 21, 2024
AUTHOR:	**Paul Gipps, Chief Administrative Officer**
DEPARTMENT:	**CAO**
ITEM TITLE:	Purpose-Built Rental Housing Incentive Bylaw 1232, 2024
DESCRIPTION:	To consider three readings of a revitalization incentive bylaw that supports purpose-built rental housing in the Town Centre and Woodsdale areas

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RECOMMENDATION

THAT Purpose-Built Rental Incentive Bylaw 1232, 2024 be read a first, second, and third time.

BACKGROUND

The District of Lake Country population is estimated at 17,857 up from 15,817 in the 2021 Canadian census based up an annual growth rate of 4.13%. Since 2020 Lake Country has seen 590 housing units constructed made up of 259 single family dwellings and 331 multifamily dwellings. Over the last 3 years there have been 0 purpose-built rentals. In fact, there has been no new purpose-built rentals in Lake Country since 2016. The total number of purpose-built rentals remains at 71 (CMHC Primary Rental Data).

Based upon population increases forecasted Lake Country will need to house 700 additional people each year (approximately 280 new homes) made up of a mix of single family, townhouses, condominiums or apartments just to keep up with anticipated growth. In 2022 the median dwelling value was 800,000 and is estimated now at over $1,000,000. It is very likely that a significant number of potential residents will not be able to consider purchasing as a housing option and will require rental opportunities. The vacancy rate in Lake Country is 0.8% according to CMHC Housing Market data for October 2023.

DISCUSSION

Rental housing is a key aspect of housing necessary to meet the needs of a diverse population and is vital to a healthy economy and equitable, resilient housing system. It also allows moderate-income households to stay in a community because household incomes of renters are typically half that of owners. The number of purpose-built rentals in Lake Country has not changed since 2016 and remains at 71(CMHC Primary Rental Data).

Purpose-built rentals represent a vital segment of a community’s housing stock. Unlike other forms of rental housing, such as condominiums rented out by individual owners, they are a dedicated form of rental, providing security of tenure. Purpose-built rental buildings also tend to offer a greater share of two- and three-bedroom units per building, better accommodating families. Building purpose-built rentals, particularly in urban centers, is more expensive for developers than building other forms of housing because they must invest more capital upfront and must wait longer for the project to become profitable.

In discussions with other jurisdictions a primary attraction for purpose-built housing is an incentive bylaw that will reduce burden and streamlined processes and early approvals. The District is poised to work with potential applicants in streamlining and prioritizing approvals with the recent and proposed bylaw amendments Council is considering over the next 2 Council meetings. If Council considers and approves the incentive bylaw then the District has done what it can to meet the two primary attractions needed for attracting this key housing option.

There are many jurisdictions that have such incentive options for this particular aspect of housing. The Federal Government is looking at enhanced GST Rental Rebate to build more apartments for renters, City of Victoria and the City of Kelowna have incentive programs including a bylaw for, among other uses, purpose-built rentals to help attract investment in this sector of housing.

In considering an incentive program, we looked at our neighbour Kelowna as their program has had good success. Staff have prepared Purpose-Built Rental Incentive Bylaw focused on similar parameters as that of the City of Kelowna's bylaw including length of exemption, amount of exemption and rationale for the areas withing the community that could be considered. The ten-year incentive would see the municipal portion of any new tax be exempted.

In reviewing an incentive program, staff identified number of neighbourhoods and areas where an incentive program would be most appropriate for Council's consideration.

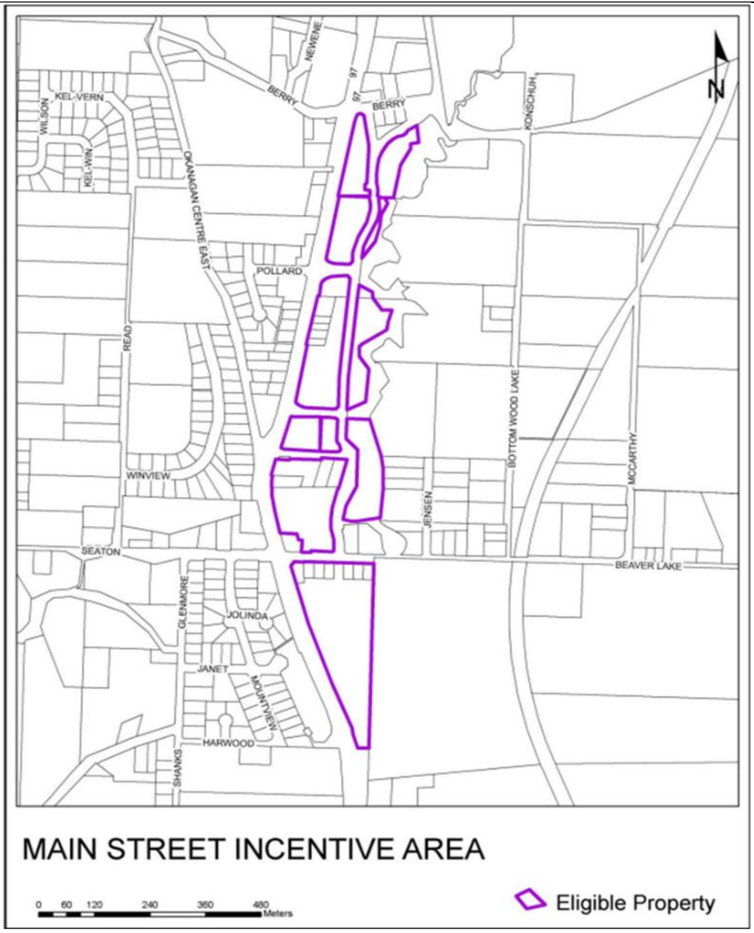
The areas identified in Schedule A-Town Centre, and Schedule B-Woodsdale (the "Revitalization Areas"), for consideration:

1) are fully serviced or in reasonable proximity to servicing
2) anticipate density consistent with the OCP's High Density Residential targets (25 to 120 units / hectare),
3) served by transit or close to amenities that would facilitate multi modal access.

Based upon the size and number of properties in each area that could be available a minimum number of units was interpolated using the density anticipated in the RM2, RM4, and RM5 Zones. Therefore in the Town Center area a minimum of 10 units was identified to suit the availability of many parcels, while in the Woodsdale area there were larger parcels capable of developing a minimum number of 15.

It should be noted that some of the properties within the Revitalization Areas would still require Official Community Plan and Zoning Bylaw amendments however staff felt the identified areas were appropriate.

A portion of the properties within Schedule A-Town Centre already have an incentive bylaw targeted to attract commercial growth in Lake Country's Town Centre (Schedule A to Main Street Tax Revitalization Bylaw 853, 2013).



Tax Exemptions from Bylaw 853, 2013

Applicable Development	Length of Tax Exemption	Percentage of Tax Exempted
a) Attraction or Conference Hotel 3 storeys or more	10 years	100%
b) Hotel 3 storeys or more	6 years	100%
c) Commercial or Mixed Use Building 3 storeys or more	6 years	100%
d) Commercial or Mixed Use Building at least 2 storeys	3 years	100%

To date there has been very little uptake on this bylaw, however with residential growth in the immediate vicinity, commercial investment will likely become more attractive. There is potential for a mixed development in this area to come forward taking opportunity of both tax exemptions.

The success of an Incentive Bylaw for Lake Country is not a certainty in attracting investment in the purpose-built rentals market, however looking at Kelowna as an example they have seen success through their incentive plan. The original version of the incentive has been around since 2014. To date they have had 51 approved projects, and an additional 8 in the application process with approximately 5 projects being approved annually. It has contributed to the creation of more than 3,500 purpose-built rental units with an additional 1,529 units in the application process.

The proposed incentive bylaw is only one aspect of creating housing opportunities in Lake Country. As Council is aware, the Province of BC brought forward legislation with Bill 44, 45 and 46 that set directives for local government to take steps to reduce regulation around housing development. Over the next month to 6 months a number of bylaw amendments will be brought forward for Council consideration to increase the number of housing options in Lake Country.

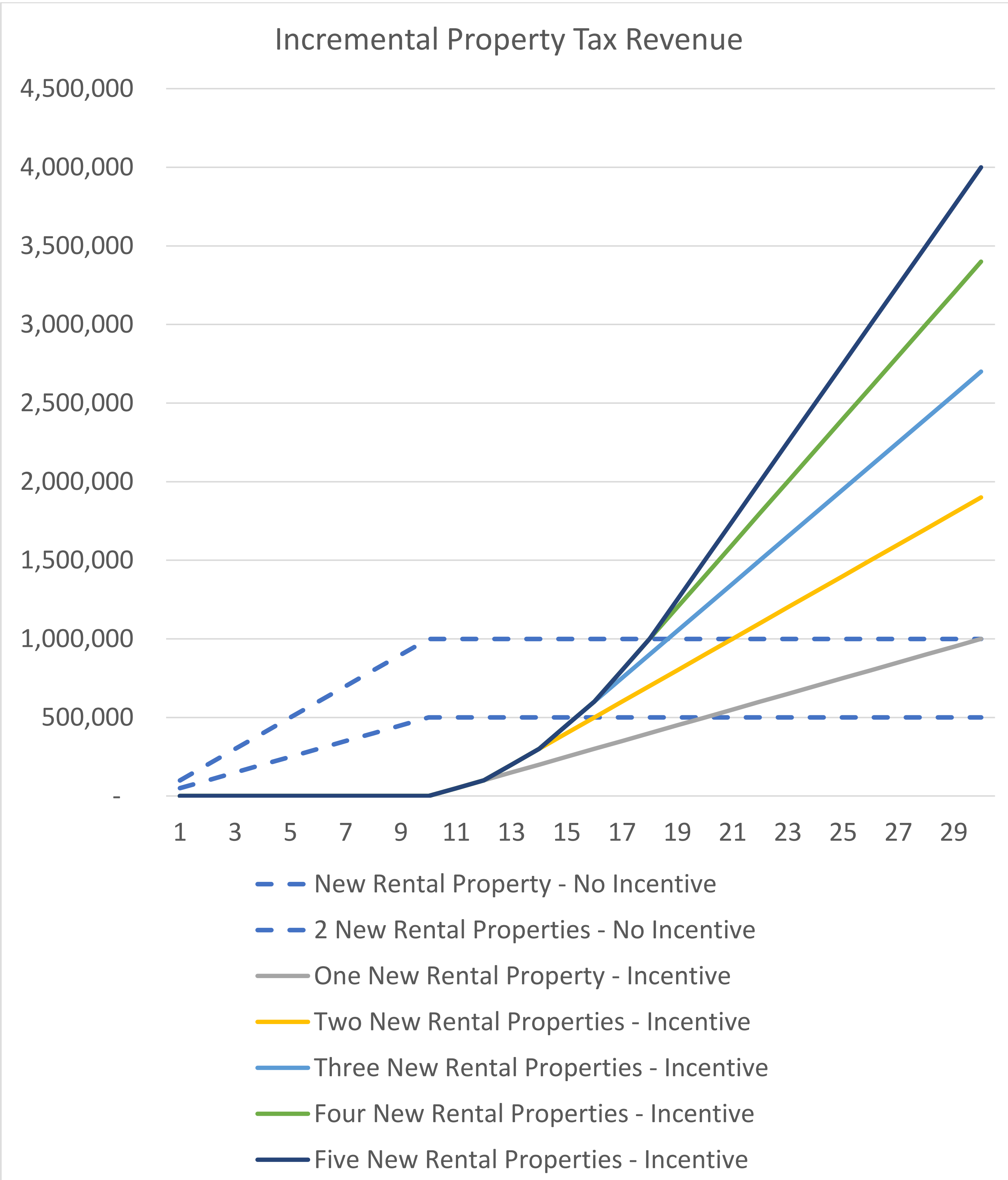
FINANCIAL ANALYSIS

Having purpose built rental buildings obviously creates many benefits for the District outside of just the direct tax impacts, however it is important to consider the potential property tax implications.

When considering a revitalization tax exemption, it is important to consider whether the desired effect of the exemption would occur without the nudge from this tool, since if properties were going to be built regardless of the exemption, it would be foregoing tax revenue unnecessarily. As it currently stands, there are only a handful of purpose-built rental properties in all of Lake Country, and none built recently. It is difficult to make the argument that by putting in place such an exemption would be detrimental to the existing taxpayers through foregoing future tax revenues unnecessarily.

However, while developers haven't historically built purpose built rental housing, due to the increasing demand for rental housing and the current short supply it is not out of the question that one or more purpose built rental housing blocks of units will be built in Lake Country with or without this exemption.

For the purpose of this analysis, we will assume each project to be 70 units of purpose built rental housing, with the incremental assessed improvements valued at $17 million (reminder that the tax incentive is just on the incremental increase in building improvements and not on the land value), which works out to approximately $50,000 of annual municipal taxes (municipal + policing + fire taxes). This is based on real life typical data however it is worth noting if the amounts were significantly more or less the timelines and shape of the lines on the chart would be similar since the breakeven point in time would be the same.


Incremental Property Tax Revenue
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
1
3
5
7
9
11
13
15
17
19
21
23
25
27
29
New Rental Property - No Incentive
2 New Rental Properties - No Incentive
One New Rental Property - Incentive
Two New Rental Properties - Incentive
Three New Rental Properties - Incentive
Four New Rental Properties - Incentive
Five New Rental Properties - Incentive

If one project would have gone ahead with or without this incentive, it would mean missing out on approximately $500,000 in tax revenue over 10 years ($50,000 x 10-year incentive) and then no incremental impact after 10 years. Two such projects would be $1,000,000. This is the two dotted lines on the graph. Note that these represent foregone tax revenue and are actually negative amounts but are shown in this manner to compare to the solid lines showing the new properties that are as a result of the incentive to show where the additional revenue would more than offset these foregone revenues.

As you can see, if there was just one project that went ahead because of this incentive, and one project that would have gone ahead either way, after 20 years on a net basis the District would still be better off (increasingly better off as more and more time passes).

This chart shows the total incremental additional tax revenue from the incentive if 1, 2, 3, 4 or 5 projects were to go ahead as a result of the incentive. For the purpose of the analysis, it assumes one project that goes ahead every second year (for example the 3 new rental properties scenario assumes new projects in year 1, 3 and 5). As the incentivized projects would not pay property tax in the first 10 years, they do not slope up until after year 10.

The chart shows that if the incentive works as intended, the long-term property tax benefits are significant to the District, on top of all the other indirect and qualitative benefits to having purpose built rental properties in the District. Additionally, all the projects would provide up front Development Cost Charges (DCC) to the District in order to invest in the additional infrastructure that comes with bringing in additional population.

OPTIONS

A. THAT the Purpose-Built Rental Incentive Bylaw 1232, 2024 be read a first time.

B. THAT the Purpose-Built Rental Incentive Bylaw 1232, 2024 be deferred to staff for further review

Respectfully Submitted,
Paul Gipps, Chief Administrative Officer

Report Approval Details

Document Title:	Purpose-Built Rental Incentive Bylaw 1232, 2024.docx
Attachments:	- Purpose-Built Rental Housing Incentive Bylaw 1232, 2024.docx - Attachment A-Purpose-Built Rental Housing Incentive Bylaw 1232, 2024.pdf
Final Approval Date:	May 16, 2024

This report and all of its attachments were approved and signed as outlined below:

Task assigned to Reyna Seabrook, Director of Corporate Services was completed by workflow administrator Paul Gipps, Chief Administrative Officer

Reyna Seabrook, Director of Corporate Services - May 16, 2024 - 3:37 PM

Paul Gipps, Chief Administrative Officer - May 16, 2024 - 3:38 PM