CITY OF Penticton

Public Notice

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August 22, 2019

Downtown Economic Investment Zone Amendment Bylaw 2019-31

The City of Penticton gives notice that Council proposes to adopt "Downtown Economic Investment Zone Amendment Bylaw 2019-31", a bylaw to amend "Downtown Economic Investment Zone Bylaw 2014-04", at its Regular Council meeting scheduled for 6:00 p.m., September 3, 2019 at Penticton City Hall.

Delete and replace Section 6 with the following: 'Developments shall only be eligible for incentives under this bylaw if they a) are subject to a building permit issued before March 1, 2018; and b) have been issued an occupancy permit no later than June 30, 2020.'

Further Information:
The above mentioned bylaw and supporting information will be available for public inspection up to and including **Tuesday, September 3, 2019** at the following locations during hours of operation: Development Services (City Hall,171 Main St.), Penticton Public Library (785 Main Street) and the Penticton Community Centre (325 Power St.); or online at [www.penticton.ca/publicnotice.](http://www.penticton.ca/publicnotice)

Council Report

penticton.ca

Date:	August 20, 2019	File No: RMS 6630-20
To:	Donny van Dyk, Chief Administrative Officer	
From:	Blake Laven, Planning Manager	
Subject:	**Downtown Economic Investment Zone Amendment Bylaw No. 2019-31**	

Staff Recommendation

THAT Council give first, second and third reading to "Downtown Economic Investment Zone Amendment Bylaw No. 2019-31", a bylaw that amends section 6 of "Downtown Economic Investment Zone Bylaw No. 2014-04" allowing incentives to developments subject to a building permit issued before March 1, 2018 and have been issued occupancy no later than June 30, 2020.

Strategic priority objective

This proposal is consistent with the Council priority of Community Design: The City of Penticton will attract, promote and support sustainable growth and development congruent with the community's vision for the future.

Extending the program to accommodate projects that are far along in the development process will ensure that the projects are completed, contributing to the revitalization and enhanced vibrancy of the downtown.

Background

City Council adopted Downtown Economic Investment Zone Bylaw No. 2014-04 in 2014 to incentivize certain types of developments in the downtown – including employment generators and residential dwelling units. The downtown EIZ program has seen the development of more than 19 projects, representing almost $32 million in investment in the downtown.

Bylaw 2014-04, like all of the EIZ bylaws, has a *sunset* clause built in. In its current form, to be eligible for benefits a project must be completed prior to December 2019.

The City has recently received a letter from Wildstone Engineering & Construction, a construction company building a new 48 unit, mixed use building at 120 Ellis Street, requesting that the completion date be extended from December 2019 to March 31, 2020. According to the letter, unforeseen delays related to weather and the challenges with the local market for labour and professional services has led to the project being a few months behind schedule. The letter states that without the extension significant stress will be placed on the project's workers and consultants to complete the project in time to receive the benefits. An extension will allow the project to be finished in a more orderly manner and allow those who have contracted to purchase units in the building and future purchasers the opportunity to realize the tax benefits that were assumed would be included at the onset of the project.

The development group for this project is also intending further similar projects along Ellis Street. The success of the subject project will ensure further development in this area – an area currently undergoing revitalization. In addition to the Ellis Street project, staff anticipate three other projects qualifying for EIZ benefits under Bylaw 2014-04, between now and when the bylaw is set to expire, representing an additional $10,800,000 in construction value.

Proposal

While the request from Wildstone has been to extend the completion date to March 1, 2020, staff are recommending that the date be extended out to June 30, 2020. The reasons for this are outlined in the analysis below. The proposed amendments to the bylaw are as follows:

Amend Section 6 of Bylaw 2014-04

From:

Developments, shall only be eligible for incentives under this bylaw if they:

a) are subject to a building permit issued before March 1, 2018; and
b) have been issued an occupancy permit no later than December 31, 2019.

To:

Developments, shall only be eligible for incentives under this bylaw if they:

a) are subject to a building permit issued before March 1, 2018; and
b) have been issued an occupancy permit no later than June 30, 2020.

Financial

The tax benefits that the project would be eligible for will ultimately be realized by the individual strata unit owners. The following analysis is based on total assessed value of all strata lots (building value) and the value of underlying land:

- The EIZ Bylaw provides a full tax exemption on the assessed value of the building for a 10 year period, but does *not* provide any relief on the assessed value of underlying land. Taxes will still be paid as if the property were a vacant piece of land.
- The estimated construction value for the building is $13,450,000. Based on the current residential municipal tax rate in 2019 (3.6929 per $1,000 of assessed value) the benefit would equate to a benefit of $49,669.50 per year. This would be split amongst the 48 strata units.
- Over the life of the benefit period (10 years) the project would receive approximately $500,000 worth of tax exemptions.
- The building residents would still pay all of the required tax on the underlying land (currently assessed at $802,000) which would amount to $2,961 per year ($3.6929 per $1,000 of assessed value).
- All taxes collected by the City on behalf of the hospital district, RDOS, School Board etc. ($30,926.84 per year) are not included in the exemption.

Analysis

Support extension of the downtown EIZ program

While the EIZ program in all other areas of the community has expired, the EIZ program in the downtown is still on-going for those projects that received a building permit prior to March 1, 2018. Several projects have and will still qualify for benefits under this program.

The intent of the bylaw was to incentivize construction in a strategic area of the City, specifically in the downtown. The project that is referenced in the Wildstone letter proceeded with the understanding that they would be receiving the tax reduction benefits. Extending the deadline will ensure the project receives the incentives that the City made a commitment to provide. Approval of the extension may also contribute to further projects proceeding in the area from the same development group.

The economic investment zone program has been quite successful since its inception in 2010, seeing investment in the downtown and in the industrial areas of the city. Sunset clauses are included in the bylaw to create some urgency and timely investment. In the case of the building on Ellis Street as well as others in the downtown, efforts have been made to meet the deadline, but the reality of the construction environment in Penticton at the moment will make meeting the December 2019 deadline difficult. And while the Wildstone letter does request an extension date of March 31, 2020, staff consider that if there is going to be an extension it should be a full six (6) months to ensure enough time for completion, given further unforeseen delays etc.

For these reasons staff are recommending that Council support the amendment bylaw extending the date of completion by six months to June 30, 2020.

Deny support for extension of the downtown EIZ program or support a shorter extension

Council may feel that the program should not be extended, as it was originally set up with a specific timeline for completion of qualifying projects. The bylaw has been in place since 2014 and promotion of its availability to the development community has been available since then;, however the realities of planning, design and developing projects like the one subject to this request, take time, effort and risk that is difficult to account for when putting these bylaws in place. Considering that the subject development meets the intent of what the EIZ bylaw was trying to achieve with a new mixed use development in the heart of our downtown by contributing to the revitalization of our community, staff consider that denying the extension could show bad faith to the development group that has worked with the City to bring this project online and is intending further development in this area.

Alternatively, Council may feel that a shorter extension, as requested by Wildstone, should be considered. If that is the case, Council may look to extend the program out to the March 2020. Staff, however, are of the opinion that if an extension is to be contemplated that it should be long enough to ensure that weather or labour related delays do not become a factor in the completion of the project.

Alternate recommendations

Alternative 1: THAT Council not support the EIZ amendment extending the date, and require completion, through the issuance of occupancy for the building, prior to eligibility for the EIZ benefits.

Attachments

Attachment A: Letter from Wildstone Group requesting extension
Attachment B: "Downtown Economic Investment Zone Amendment Bylaw No. 2019-31"

Respectfully submitted,

Blake Laven,
Planning Manager

A/DDS	A/CFO	Chief Administrative Officer
KK	AMC	DvD

Attachment A

Letter of Request from Wildstone to extend the Downtown EIZ completion date to March 31, 2020

Wildstone CONSTRUCTION GROUP

CANADA'S BEST MANAGED COMPANIES

July 16, 2019

Mr. Blake Laven
Senior Planner
171 Main St
Penticton BC

Re: Ellis One Condominium Project

Dear Sir,

Please accept this letter as a request to extend the period that the COP will accept occupancy and allow us to qualify for the EIZ 's until Mar 31, 2020. The reason is to allow us a little extra time to reach occupancy.

We have been trying diligently to reach the Dec 31, 2019 deadline; however, we are worried that this will not be achievable without causing excessive stress on our workers and our consultants. Weather proved challenging from the beginning when trying to complete our civil and concrete work as the Okanagan was hit with a lengthy cold snap at the beginning of 2019 with temperatures dipping to -25 with the wind chill factor. Though this set us over a month behind, Wildstone remained dedicated to maximizing resources and chose to heat and hoard the site in order to keep progress moving as best we could.

Unfortunately, finding the services of a local Architect and associated sub-consultants in Penticton that will provide timely services is difficult. As a result of our hiring local consultants, which we thought was cost effective and good for these consultants, they have been unable to provide timely services. As a result, we are concerned about finishing on Dec 31, 2019. Having a few months grace would allow us to finish in a more orderly fashion and avoid costly mistakes.

Wildstone has consistently had approximately 20 of our own forces on site (ie. All local people) and half a dozen different subtrades, coordinating a total of 30-40 people daily. We are utilizing over 14 Penticton businesses as subcontractors and at least that many subcontractors from the surrounding areas within the Okanagan Valley.

We believe the reason for the EIZ's was to promote development in define areas. It will certainly happen with this project. Based on the background report available on your website. Ellis One with 48 residential suites and 3 commercial spaces will contribute approximately 20% of the $70 million qualified construction activity for 2019 based on dollar values. A lot of the people moving into our units will be young people and young families who will certainly make the best of the tax savings offered by the EIZ's. In fact, we know of a few pending sales, where their decision to purchase was influenced by the tax savings.

www.wildstone.com

Wildstone CONSTRUCTION GROUP

CANADA'S BEST MANAGED COMPANIES

Thank you for your consideration and we would be pleased to meet with you in person to answer any questions.

Regards,

Jim Morrison, P.Eng

CEO, Wildstone Group

www.wildstone.com

The Corporation of the City of Penticton

Bylaw No. 2019-31

A Bylaw to Amend Downtown Economic Investment Zone Bylaw No. 2014-04"

WHEREAS the Council of the City of Penticton has adopted a bylaw that may provide revitalization tax exemptions under section 226 of the *Community Charter*;

AND WHEREAS the Council of the City of Penticton wishes to amend "Downtown Economic Investment Zone Bylaw No. 2014-04";

NOW THEREFORE the Council of The Corporation of the City of Penticton, in open meeting assembled, enacts as follows:

1. **Title:**

This Bylaw may be cited as the "Downtown Economic Investment Zone Amendment Bylaw No. 2019-31".

2. **Amendment:**

2.1 Delete and replace Sections 6 with the following:

6) Developments shall only be eligible for incentives under this bylaw if they:
a) are subject to a building permit issued before March 1, 2018; and
b) have been issued an occupancy permit no later than June 30, 2020.

READ A FIRST time this	day of	, 2019
READ A SECOND time this	day of	, 2019
READ A THIRD time this	day of	, 2019
ADOPTED this	day of	, 2019

Notice of intention to proceed with this bylaw was published on the __ day of ____, 2019 and the __ day of ____, 2019 in the Penticton Western newspaper, pursuant to Section 94 of the *Community Charter*.

John Vassilaki, Mayor

Angie Collison, Corporate Officer