REPORTS

7. From the Clerk, Standing Policy Committee on Property and Development
Minute 384 - P&D, 2002/09/10

Proposed Amendments to the 2002 Home Renovation Tax Assistance Program

File FL (Vol. 9)

Advising that on September 10, 2002, the Standing Policy Committee on Property and Development considered report dated November 5, 2001 from the Director of Planning, Property and Development, specifically administrative recommendation 2. a), b) and c), which Executive Policy Committee had referred for review, namely:

2. Should a decision be made to renew the Home Renovation Tax Assistance (HRTA) Program for 2002, it is recommended that the following amendments be incorporated:

   a) a new program goal and objectives statement;
   b) the list of eligible renovations be amended by deleting the construction of greenhouses, gazebos and sunrooms;
   c) the authority to deal with appeals be delegated to the Director of Planning, Property and Development.

Following deliberation, the Committee passed the following motion, namely:

"1. That the Standing Policy Committee on Property and Development recommend to Executive Policy Committee that a Home Renovation Tax Assistance Program be implemented for the year 2003.

2. That in response to the administrative Recommendation 2 c), the Executive Policy Committee be advised that the Standing Policy Committee on Property and Development recommends that the 2003 Home Renovation Tax Assistance Program include provision for the Chief Administrative Officer to be delegated the authority to hear and decide appeals against the decision of the Designated Officer of the Program, and to include provision for appeals against the decision of the Chief Administrative Officer to be heard and decided by the Standing Policy Committee on Property and Development.

3. That the administrative Recommendations 2 a) and b) be referred to the Standing Policy Committee on Property and Development meeting in November 2002."

Agenda - Executive Policy Committee - September 18, 2002

Note: On September 4, 2002, the Executive Policy Committee referred recommendations from the Civic Environmental Committee with respect to the 2003 Home Renovation Tax Assistance Program to the Chief Administrative Officer for review and report back.

REPORT: 2002 HOME RENOVATION TAX ASSISTANCE PROGRAM (HRTA)

RECOMMENDATIONS:

1. That this report be received as information.
2. Should a decision be made to renew the Home Renovation Tax Assistance (HRTA) program for 2002, it is recommended that the following amendments be incorporated:
   a) a new program goal and objectives statement;
   b) the list of eligible renovations be amended by deleting the construction of greenhouses, gazebos and sunrooms;
   c) the authority to deal with appeals be delegated to the Director of Planning Property and Development.
3. That the operating budget of the Planning, Property and Development Department be increased to include HRTA funding in the amount of $325,000 for each of the years 2003, 2004 and 2005.
4. That the proper officers of the City be authorized to do all things necessary to effect the intent of the foregoing.

REASON FOR THE REPORT:

On May 27, 1998, Council approved the 1998 HRTA program, subject to the following recommendation:

> That the Home Renovation Tax Assistance Program be reviewed on an annual basis by the Executive Policy Committee.

HISTORY:

The inaugural Home Renovation Tax Assistance Program was adopted by Council on December 15, 1994 (By-Law #6544/94). The program was intended to encourage and assist in the renovation of residential premises in the City of Winnipeg, by way of property tax credit incentives. The program has been renewed annually, with a number of modifications over the years. The first several HRTA program by-laws were limited to dwellings constructed prior to 1971 and assessed at less than $80,000. The maximum tax credit available was limited to $750 over five years. The first four HRTA received limited intake, and only generated 443 eligible property files.

On May 27, 1998, Council approved a new HRTA program (By-Law #7230/98), amending the eligibility criteria to dwellings constructed prior to 1981 and assessed a less than $100,000. The maximum tax credit was amended to $1,500 over three years. This program generated a total of 2,146 property files, of which 1,755 were considered to be complete - resulting in a total program cost of $1,464,517 allocated over 1999 - 2001.

On March 24, 1999, Council approved another new HRTA program (By-Law #7384/99), amending the eligibility criteria to dwellings constructed prior to 1974 (25 years old or older), and assessed a less than $90,000. The maximum credit available remained at $1,500 over three years, with the overall financial exposure limited to $975,000 ($325,000 per year for three years). This program generated a total of 1,067 property files, of which 646 were considered to be complete – resulting in a total program cost of $576,299 ($192,100 per year for three years).

Programs have been approved for 2000 and 2001 utilized the same eligibility criteria as the 1999 program. The 2000 HRTA program generated 1,087 property files (768 completed), resulting in a program cost of $654,857. The 2001 program has generated 1,053 property files. The number of files to be processed for tax credits will not be known until March, 2002. The maximum financial exposure to the program is $975,000.

DISCUSSION:

Policy Context

The City of Winnipeg Act (section 138.1) authorizes Council to "establish a program of property tax credits to encourage and assist in the renovation of residential premises". The provisions of any by-law are to include: the types of premises eligible; the types and costs of eligible renovations; terms and conditions which tax credits may be provided and terminated; and the amount of tax credit available (maximum annual credit and timeframe).

The object of each of the previous Home Renovation Tax Assistance program by-laws (1995 – 2001) has been to:

> Provide an economic incentive for the home renovation industry, to reduce the perception that property owners are penalized for improving their properties and to encourage property owners to take out building permits thereby promoting the quality of construction in meeting applicable building, electrical, and plumbing codes.

It is difficult to determine whether or not the HRTA program has met its stated object, as it is not possible to measure perceptions. There is evidence of increased residential building permit activity and general home renovations/improvements over the span of the HRTA program. There is however limited evidence as to the extent to which the HRTA program has directly encouraged homeowners to renovate their dwellings. General improved economic conditions and other life-style factors may have more to do with the improved renovation climate, than that of the creation of the HRTA program. This program does however, continue to provide an important supportive role in improving the overall quality of the City's housing stock and encouraging investment in older residential neighbourhoods.

The City of Winnipeg supports housing improvement programs through the Winnipeg Housing and Homelessness Initiative (WHHI) and through the Building Communities program. The WHHI provides financial assistance to targeted Major Improvement Areas, and the Building

Communities program provides assistance to specific targeted shoulder neighbourhoods. HRTA uptake primarily tends to be in areas outside of these neighbourhoods.

The HRTA program is presently available citywide to owners of dwellings built prior to 1974 and assessed at less than $90,000. The majority of recent HRTA program uptake has consistently been from properties assessed within the $70,000-$89,999 range (Table 1), representing nearly 50% of all applications each year (1999-2001). The HRTA program has not provided a significant incentive to upgrade dwellings assessed at less than $40,000. This segment represents only approximately 7% of program uptake.

Table 1: HRTA Program Uptake Summary.

NUMBER OF APPLICANTS (% OF TOTAL)								
PROPERTY ASSESSMENT RANGE	**1998**		**1999**		**2000**		**2001**	
$ 0- 9,999	0		0		0		0	
$ 10,000-19,999	3	(0.14)	2	(0.19)	2	(0.18)	0	(0.00)
$ 20,000-29,999	26	(1.12)	16	(1.50)	17	(1.53)	23	(2.18)
$ 30,000-39,999	93	(4.33)	59	(5.53)	61	(5.10)	62	(5.89)
$ 40,000-49,999	134	(6.24)	118	(11.10)	126	(11.35)	121	(11.49)
$ 50,000-59,999	208	(9.70)	161	(15.10)	144	(12.97)	160	(15.19)
$ 60,000-69,999	317	(14.77)	188	(17.61)	195	(17.57)	184	(17.47)
$ 70,000-79,999	450	(20.97)	254	(23.80)	296	(26.67)	258	(24.50)
$ 80,000-89,999	535	(24.93)	262	(24.55)	268	(24.14)	245	(23.27)
$ 90,000-99,999	380	(17.71)	7 *	(0.62)	1 *	(0.09)	0 *	(0.00)
TOTAL:	**2,146**		**1,067**		**1,110**		**1,053**	
* Limited to applicants with property assessments of $90,000								

Program Goal and Objectives

In an effort to clearly define the intent of the HTRA program, the Department recommends that the current program object be replaced by a new goal and objectives. The new goal is consistent with The City of Winnipeg Act, Section 138.1. Objectives are provided for the purpose of clarity and to assist in measuring success in meeting the program goal. They are as follows:

Goal: "To recognize the significant financial contributions that owners of older homes expend in maintaining and upgrading their homes, and to encourage additional private property owner investment."

Objectives
(a) "To reduce the perception that property owners are being penalized for improving their properties."
(b) "To maintain or increase current annual program uptake."
(c) "To assist in extending the lifespan and increasing the marketability of dwellings built prior to 1974."

A project tracking and survey mechanism will be developed to evaluate the effectiveness of the program in addressing program objectives and in measuring client satisfaction.

Eligible Renovations

The HRTA program, as originally established in 1995, provided a list of eligible (and ineligible) renovations. The eligible renovations were generally considered to be important for health or safety, or were considered to be work that would extend the life of the dwelling or increase its value. Subsequent HRTA program by-laws have modified the list of eligible renovations. The Department recommends that Council consider deleting from the list of 2002 HRTA program eligibility, the construction of the greenhouses, gazebos, and sunrooms, as these items do not function as year round living space. It should be noted that the repair of such existing items would continue to remain eligible.

Additionally, it should be noted that Council approved the addition of hard-wired, monitored security systems to the list of eligible items on June 21, 2001.

Delegated Authority for Appeals

Under the present HRTA by-law, any eligible homeowner or applicant who is aggrieved by a decision of the designated officer may appeal the decision to the Standing Policy Committee on Property and Development by filing a written notice of appeal. It is recommended that as appeals deal with technical issues related to administration of the program, authority be delegated to the Director of Planning, Property and Development to administer.

Financial Impact Statement

Date: November 5, 2001

Project Name: **First Year of Program** 2002

2002 HOME RENOVATION TAX ASSISTANCE PROGRAM (HRTA)

	2002	2003	2004	2005	2006
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 250,000	$ 250,000	$ 250,000	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)		$ 250,000	$ 250,000	$ 250,000	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ 250,000	$ 250,000	$ 250,000	$ -

Additional Comments:

The above costs are the potential incremental costs of approving the recommendations in this report. Although program maximums would suggest that potential tax credit concessions of $325,000 per year should be provided for, program experience over the last number of years indicates that an amount of $250,000 per year will be sufficient.

Gord Courage, Manager
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