REPORT TO CIVIC ENVIRONMENTAL COMMITTEE:
PROPOSED 2003 HOME RENOVATION TAX ASSISTANCE PROGRAM

SUBJECT

Revisions to the eligibility criteria and promotion of the proposed *City of Winnipeg 2003 Home Renovation Tax Assistance Program* to encourage retrofit work that improves energy efficiency and reduces greenhouse gas emissions.

BACKGROUND

Since 1998, the City of Winnipeg has offered a program of property tax credits to encourage home renovations. Subject to Council approval, it appears likely that the program, with some revisions, will be offered in 2003.

For 2002, the program was targeted at houses built before January 1, 1974 with an assessed value (including land) not exceeding $90,000. The program offered a 15% tax credit for up to $10,000 in eligible renovations. The tax credit of up to $1500 is provided as a property tax reduction spread over three years.

For more details about the program including a list of eligible renovations, see the attached overview or refer to By-Law 7943/2001.

DISCUSSION

Despite the environmental and economic benefits of retrofit work that reduces energy use, the *Home Renovation Tax Assistance Program* has typically not encouraged this work over other types of home renovations.

For example, the 2002 program provided the same 15% tax credit for the construction of a deck, verandah, garage or accessory building such as a sunroom or gazebo as it did for the insulation of attics, walls and basements or installing a high efficiency furnace or boiler.

Plan Winnipeg Policies

Plan Winnipeg 2020 policies support revising the eligibility criteria and promotion of the proposed *2003 Home Renovation Tax Assistance Program* to encourage energy efficiency and the reduction of greenhouse gas emissions:

- *Policy 2B-02 Commit to the Reduction of Greenhouse Gas Emissions*

  The City shall commit to the reduction of greenhouse gas emissions by:
  iii) encouraging energy efficiency in…home retrofitting requirements; and
  iv) proposing positive incentives to encourage energy efficiency.

SUBMITTED BY KEN KLASSEN
TO THE EXECUTIVE POLICY COMMITTEE
ON JANUARY 18, 2006.

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- *Policy 5A-04 Encourage Energy Efficiency*

  The City shall encourage energy efficiency by:
  i) promoting education and awareness through customer information programs and other communication methods;
  iv) encouraging energy efficiency in new construction and the retrofitting of existing homes as a requirement neighbourhood revitalization initiatives.

Manitoba Hydro Power Smart Program

Manitoba Hydro offers a number of programs and services that may interest many residents considering the *City of Winnipeg Home Renovation Tax Assistance Program.* Examples include home energy audits, loan and financing plans as well as a series of renovation booklets and guidelines.

Residents who request information from the City of Winnipeg about the *Home Renovation Tax Assistance Program* have typically not been provided with promotional information about the home renovation-related programs or services offered by Manitoba Hydro. Manitoba Hydro has indicated that they would like to work with the City of Winnipeg to change this situation (see attached letter).

FINANCIAL IMPLICATIONS

Besides environmental benefits, encouraging energy efficiency through revisions to the *Home Renovation Tax Assistance* has significant economic benefits for Winnipeg:

- Unlike other home renovations, energy retrofit work pays for itself through lower utility bills and increases homeowner disposable income.
- Lower utility bills of retrofitted houses makes them more competitive with housing in newer neighbourhoods.
- For homes heated with natural gas, energy retrofit work reduces the leakage for income from the Winnipeg region to Alberta.
- For homes heated with electricity, energy retrofit work increases the amount of electricity available for export from Manitoba.
- Many types of energy retrofit work , particularly adding insulation and window replacement, have a high local labour component and support local business.

Home Renovation Tax Assistance Program activity since its inception has been:

Year	*Files Processed*	*Total Tax Credits*
1998	1,758	$1,464,816
1999	652	$583,212
2000	768	$654,857
2001	694	$663,130

Increasing the tax credit for eligible energy retrofit work, say from 15% to 25%, but leaving the existing maximum credit of $1500 would encourage more energy retrofit work but have little or no impact on the total program cost. The maximum tax credit of $1500 could then be achieved with $6,000 of eligible energy retrofit work rather than the current level of $10,000 ($6,000 x 25% vs. $10,000 x 15%).

RECOMMENDATION(S)

The Civic Environmental Committee recommend that the administration include the following revisions in the eligibility criteria and promotion for proposed *City of Winnipeg 2003 Home Renovation Tax Assistance Program:*

1. Increase the tax credit from 15% to 25% for eligible retrofit work that improves energy efficiency and/or reduces greenhouse gas emissions (i.e. insulation of attics, walls and foundations; installation of energy efficient windows; installation of heat recovery ventilation systems; replacement of furnaces or boilers with high efficiency units, etc.).

2. Cooperate with Manitoba Hydro to encourage residents who express an interest in the *City of Winnipeg 2003 Home Renovation Tax Assistance Program* to also investigate Hydro's Power Smart residential programs and services (i.e. energy audits, loan programs, renovation booklets and guidelines, etc.)

3. Harmonize, to the maximum extent feasible, the technical requirements (i.e. minimum insulation levels, window performance requirements, minimum furnace and boiler efficiencies, etc.) for energy efficiency work covered by the *City of Winnipeg 2003 Home Renovation Tax Assistance Program* with the technical requirements used by Manitoba Hydro for their Power Smart loan and finance programs.

4. Track and then report to the Civic Environmental Committee on the number of files processed and total tax credits issued for energy retrofit work completed under the *City of Winnipeg 2003 Home Renovation Tax Assistance Program* during 2003.

August 12, 2002

Winnipeg

THE CITY OF WINNIPEG

2002 HOME RENOVATION TAX ASSISTANCE PROGRAM

INTRODUCTION

On December 12, 2001, City Council approved By-Law 7943/2001 to *"... establish a program of property tax credits to encourage and assist in the renovation of residential premises ..."*. The 2002 Program has limited funding for tax credits and operates on a "**first come, first serve**" basis.

The Home Renovation Tax Assistance Program Office is located at:

Unit 31 – 30 Fort Street
Planning, Property and Development Department
Winnipeg, Manitoba R3C 4X7

Telephone Number: 986-7352
Fax Number: 986-6347

This brochure is intended to provide general information about the 2002 Program and does not include all conditions of By-Law 7943/2001. Residents are advised to contact the Program Office at 986-7352 for further information.

ELIGIBILITY REQUIREMENTS

The 2002 Program is intended for residents who comply with **all** of the following eligibility requirements:

- The resident's home is used solely for residential occupation.
- The resident's home must have been built before January 1, 1974.
- The resident's home and land on which it is situated has an assessed value not exceeding $90,000.00 in 2002.

HOW TO APPLY TO THE 2002 PROGRAM

- **To apply to the 2002 Program, a City of Winnipeg Building Permit must be obtained before any renovations are commenced.** Permits can be obtained by residents or their contracted representatives. Permits have to be obtained, in person, at the Zoning and Permits Branch; located at Unit 31 - 30 Fort Street . For further information, contact the Zoning and Permits Branch at 986-5140.

- When obtaining a permit, residents are required to estimate the costs of all renovations and an appropriate application fee will be charged in accordance with the City of Winnipeg Development Fees By-Law. Residents are advised to obtain a quotation from a professional contractor prior to obtaining a permit.

- Residents may apply until 2002 Program funds are depleted or until December 31, 2002; whichever occurs first.

- All renovations are inspected by City of Winnipeg Housing and Existing Buildings Branch Staff to ensure compliance with applicable By-Laws. Permit fees can be claimed as a Program expense.

ELIGIBLE RENOVATIONS

Generally, the following renovations are eligible:

- Renovating kitchens, bathrooms and unfinished basements.

- Building an addition to a home that will be utilized as a year-round living space.

- Installing, repairing or upgrading a primary heating system, a plumbing system, an electrical system or a ventilation system, but not including an air conditioner.

- Insulating walls or attics.

- Reinforcing or repairing a foundation or basement, including weeping tile, excavation and related landscaping.

- Home Security Alarms

- Installing or repairing exterior sheathing, roofing, shingling, soffits, fascia, eavestroughing, doors or windows (excluding skylight windows).
- Installing or repairing a water or sewer system, including excavation and related landscaping.
- Modifying a home to accommodate a disabled person or renovating for reasons of safety or occupant health.
- Repairing a home to ensure or maintain compliance with the Maintenance and Occupancy By-Law.
- Constructing or repairing a deck, verandah, garage or accessory building such as a greenhouse, gazebo or sunroom.

INELIGIBLE RENOVATIONS

Generally, the following renovations are ineligible:

- Building or repairing a fence, driveway, patio or sidewalk unless necessary to maintain the structural integrity of the home or for safety or occupant health reasons.
- Installing or repairing a play structure or swimming pool.
- Landscaping, unless related to excavation work.
- Interior decorating such as installing wallpaper, blinds or drapes.
- Interior and exterior painting and installing or repairing floor covering unless related to eligible renovations, necessary to maintain the structural integrity of the home or for safety or occupant health reasons.
- Installing or repairing a household appliance, skylight windows, fireplace, hot tub or jacuzzi, secondary heating system, heat pump unless it is the primary heating source, air conditioner, back-up generator, air purification system, radio or television antenna or satellite dish, lawn sprinkler system, awnings or any improvements that are not permanently affixed to a home.
- Modification to a home to permit a non-residential use or multi-family use.

COMPLETION OF RENOVATIONS

- In order to be considered for a tax credit, all renovations must be completed by residents **on or before December 31, 2002**.

- After obtaining a permit, a Program claim form will be mailed to residents. The claim form and accompanying receipts or proof of payment must be submitted to the Program Office for completed renovations **on or before December 31, 2002.**

- Residents are required to submit receipts or proof of payment for all expenses itemized on their claim form. Photocopies of receipts may be submitted. Original receipts will not be returned to residents.

- Residents are advised that a claim for **incomplete** renovations will not be eligible.

- Residents may include the following costs and expenses on their claim form:

1) Materials
2) Contractor labour
3) Retail sales tax and G.S.T.
4) Drafting and architectural plans
5) Permit fees
6) Legal and inspection fees

TAX CREDIT DETAILS

- The maximum renovations amount that can be claimed by any resident is **$10,000.00**.

- The maximum 2002 Program tax credit that an eligible resident will receive is **$1,500.00**. Residents are advised that the total amount of tax assistance provided by the City of Winnipeg under all Home Renovation Tax Assistance By-Laws shall not exceed $1,500.00 for a home in any consecutive five year period.

- The maximum **annual** tax credit that an eligible resident will receive is **$500.00**. Tax credits will be provided to an eligible resident in the years 2003, 2004 and 2005 as a property tax reduction.

- Tax credits will be provided to an eligible resident for either the initial valuation of the renovations, as declared when obtaining a permit, or the actual expenses stated on the claim form; **whichever is less**.