Agenda - Executive Policy Committee - July 7, 2010

REPORTS

Item No. 4 Residential Infill Tax Credit Program
eFile EX

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Residential Infill Tax Credit By-law No. 124/2007 be extended from May 1, 2010 to June 30, 2011.

2. That the Public Service continue discussions with the Province of Manitoba to expand this program to include provincial participation under the structure of the Province's Community Revitalization Tax Increment Financing Act with incremental education-related taxes.

ADMINISTRATIVE REPORT

Issue: **To provide an analysis of the Residential Infill Tax Credit Program, and to provide recommendations for extending the program**

Critical Path: **Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
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RECOMMENDATIONS

1. That the Residential Infill Tax Credit By-law No. 124/2007 be extended from May 1, 2010 to June 30, 2011.

2. That the Public Service continue discussions with the Province of Manitoba to expand this program to include provincial participation under the structure of the Province's Community Revitalization Tax Increment Financing Act with incremental education-related taxes.

REASON FOR THE REPORT

The Residential Infill Tax Credit By-law No. 124 /2007 expired on May 1, 2010 and a report on whether to continue is required. The uptake on this program was slow in the first two years but has increased dramatically in the past year. The Council-approved maximum for credits has not been reached and this report is recommending an extension of the Program to continue encouraging residential infill development in qualified neighbourhoods.

IMPLICATIONS OF THE RECOMMENDATIONS

It is recommended that the program be extended to June 30, 2011 to allow for negotiation with the Province of Manitoba regarding possible inclusion of education taxes under the structure of Community Revitalization Tax Increment Financing Act.

HISTORY

The Residential Infill Tax Credit By-law No. 124/2007 was adopted by Council on May 16, 2007 but applied retroactively to projects with building permits issued after January 1, 2007. The purpose of the By-law was to encourage residential infill development in existing neighbourhoods where infrastructure (sewer, water, streets) already exist, and servicing cost to the City is therefore marginal. The maximum sum of credits allowable by Council under this program was $3,000,000.

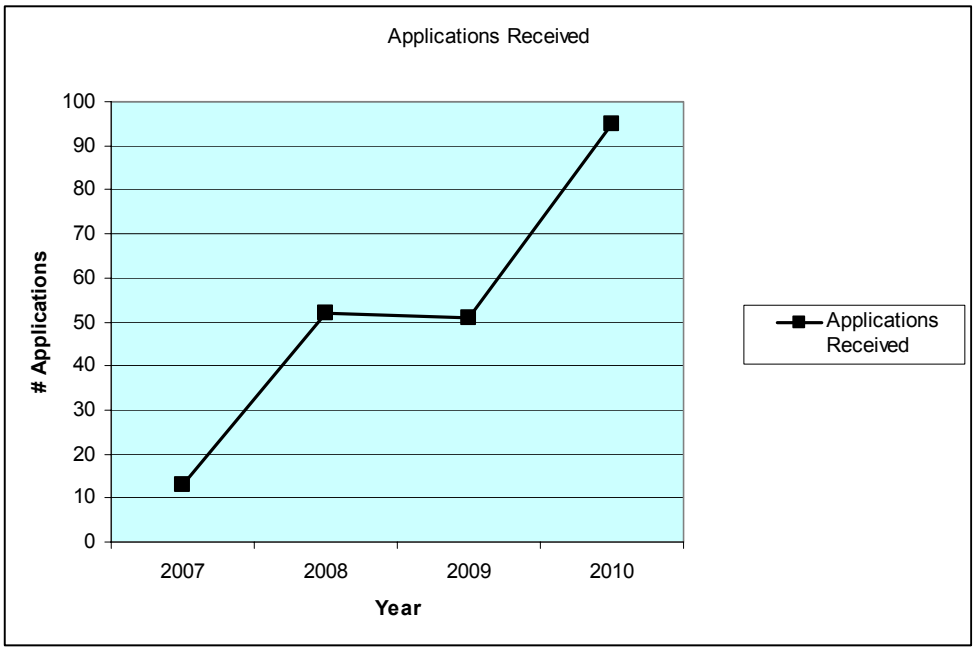
By-law 124/2007 provided a property tax credit of up to $2,000 per year for up to five years ($10,000 total) for eligible properties. The actual credit was calculated as 75% of the municipal portion of property taxes charged to the completed property.

The effective date of By-law 124/2007 was May 1, 2007, and it expired three years after coming into force, which was May 1, 2010.

By-law 124/2007 included a number of conditions for eligibility, including a maximum assessed value of the completed project. Due primarily to the significant increase in assessed property values based on the 2008 reference year, the By-law was amended by Council on December 16, 2009 to reflect these increased values.

A total of 211 tax credit applications were submitted during the three years of operation. The number of applications submitted rose annually, and 95 of these applications were received in 2010 as the program was drawing to a close. Figure 1 depicts applications received per year. Of the total applications, 68 were for properties located in neighbourhoods designated as Major Improvement Areas, 39 were in neighbourhoods designated as Rehabilitation Areas, and the remaining 104 were located in neighbourhoods either designated as Conservation Areas or as Emerging Areas (which would not be eligible). Appendix 1 depicts distribution of infill housing projects that have been approved or conditionally approved for the credit.

Figure 1
RITC Applications Received per Year



As of May 1, 2010, 177 properties were approved or conditionally approved for a tax credit, with a cumulative value of credits estimated to be $825,000. This leaves approximately $2,175,000 available from the amount originally approved by Council for the program.

The Residential Infill Tax Credit Program has been successful in providing incentives for general infill development; however, opportunity exists to adjust future credits to encourage specific developments that include accessible or visitable design, are located near transit routes, or meet energy-efficiency standards such as PowerSmart or R-2000. The level of incentive necessary to encourage these specific developments may exceed the amount provided by the current program, and it is therefore recommended that the Province of Manitoba be consulted to determine whether a portion of education taxes can be accessed to increase the total available tax credit.

It is also recommended that the program be extended for another year to continue providing tax credits to a maximum cumulative amount of $3,000,000, as originally approved by Council. This extension would allow for this negotiation with the Province of Manitoba to occur while continuing to provide incentives for residential infill development.

FINANCIAL IMPACT

Financial Impact Statement Date: June 25, 2010

Project Name:

Extension of Residential Infill Tax Credit By-law No. 124/2007

COMMENTS:

While there will be financial implications should Council approve the recommendations contained within this report, neither the timing nor amounts involved are determinable at this time. However, the recommendations, if approved, will not result in any out-of-pocket costs for the City. Any tax credits approved during the period ending June 30, 2011 will be financed by increased tax revenues generated by the specific infill developments. After June 30, 2011, all municipal taxation revenue will accrue to General Revenue Fund.

"Original Signed By"
Mike McGinn, CA
Manager of Finance

CONSULTATION

In preparing this report there was consultation with:

SUBMITTED BY

Department:	Planning, Property and Development
Division:	Housing Development
Prepared by:	Dave Dessens
Date:	June 25, 2010
File No.	o:\reports directive\housing development\ritc extension.doc

Appendix 1
RITC Projects Approved or Conditionally Approved

