Addendum - Executive Policy Committee - May 15, 2002

Moved by Councillor

That Rule 9.3 of the Procedure By-law be suspended in order that the following item, which was received too late to be placed on the regular agenda, may also be considered by Committee at this time.

ADDENDUM REPORTS

3. From the Director of Planning, Property and Development
Report 2002/05/09

Proposed Multiple Family Dwelling Grant Program

File EX (Vol. 14)

Recommending:

1. That Council be requested to approve the attached Multiple Family Dwelling proposal for vacant and boarded properties in Winnipeg's Major Improvement and Rehabilitation Neighbourhoods and in the Downtown.

2. That the Multiple Family Dwelling Grant By-law be approved for three years as a Pilot Project (three year By-law).

3. That total City wide tax grants available under the Program be limited to a maximum of $3,000,000.

4. That the City Solicitor/Manager of Legal Services be instructed to prepare the Multiple Family Dwelling Grant By-law for consideration by Council.

5. That Council authorize the creation of a Multiple Family Dwelling Tax Investment Reserve Fund.

6. That the Proper Officers of the City be authorized to do all things necessary to implement the foregoing recommendations, including the development of parameters for the Multiple Family Dwelling Tax Investment Reserve Fund.

Re:	**Proposed Multiple Family Dwelling Grant Program**
For submission to:	**Executive Policy Committee**
Original report signed by:	**Director of Planning, Property and Development**
Report date:	May 9, 2002
In camera item:	**No**

Recommendation(s):

1. That Council be requested to approve the attached Multiple Family Dwelling proposal for vacant and boarded properties in Winnipeg's Major Improvement and Rehabilitation Neighbourhoods and in the Downtown.

2. That the Multiple Family Dwelling Grant By-law be approved for three years as a Pilot Project (three year By-law).

3. That total City wide tax grants available under the Program be limited to a maximum of $3,000,000.

4. That the City Solicitor/Manager of Legal Services be instructed to prepare the Multiple Family Dwelling Grant By-law for consideration by Council.

5. That Council authorize the creation of a Multiple Family Dwelling Tax Investment Reserve Fund.

6. That the proper officers of the City be authorized to do all things necessary to implement the foregoing recommendations, including the development of parameters for the Multiple Family Dwelling Tax Investment Reserve Fund.

REPORT SUMMARY

KEY ISSUES:

- There presently are some 133 vacant and/or boarded multiple family structures within the City of Winnipeg. Approximately 98 percent of these structures are located within the Major Improvement and Rehabilitation neighbourhoods.

- Public sector programs can facilitate the redevelopment and renewal of many inner city properties, but additional incentives are necessary to promote private sector investment in Winnipeg's inner city neighbourhoods.

- Plan Winnipeg specifically notes that tax increment financing and tax credit programs can assist in providing for safe and affordable housing.

- Tax credit programs can provide a tool to introduce complementary initiatives that promote private investment in infill multiple family development, and improve housing stock in older neighbourhoods.

IMPLICATIONS

General implications

	None
X	For the organization overall and/or for other departments
X	For the community and/or organizations external to the City of Winnipeg
	Involves a multi-year contract

Comment: The introduction of a tax grant program for multiple family dwellings would have implications on the City's Major Improvement and Rehabilitation Neighbourhoods and on the Downtown.

Policy implications

	No (*There are no policy implications if the report is asking for a one-time decision.)*
X	Yes *(There are policy implications if the recommendation(s) is/are asking for a decision that will be used to guide decisions over time.)*

Comment:

- Adoption of a Multiple Family Dwelling Grant By-law will have policy implications. The By-law can be used to promote development through the establishment of a program of tax grants over a five year time frame.

Financial implications

	Within approved current and/or capital budget
	Current and/or capital budget adjustment required
X	No financial implications

Comment:

- There are no impacts on current and/or capital budgets. Short term financial implications apply to the City's future tax revenue, as incremental increases in municipal taxes would be rebated in order to promote new development.
- For new and /or renovated multiple family development that results directly from this program, additional tax revenue will be generated. This revenue will be realized in the first year subsequent to the payment of the grant amount, usually five to six years after the development work is completed.

REPORT

RECOMMENDATION(S):

1. That Council be requested to approve the attached Multiple Family Dwelling proposal for vacant and boarded properties in Winnipeg's Major Improvement and Rehabilitation Neighbourhoods and in the Downtown.

2. That the Multiple Family Dwelling Grant By-law be approved for three years as a Pilot Project (three year By-law).

3. That total City wide tax grants available under the Program be limited to a maximum of $3,000,000.

4. That the City Solicitor/Manager of Legal Services be instructed to prepare the Multiple Family Dwelling Grant By-law for consideration by Council.

5. That Council authorize the creation of a Multiple Family Dwelling Tax Investment Reserve Fund.

6. That the proper officers of the City be authorized to do all things necessary to implement the foregoing recommendations, including the development of parameters for the Multiple Family Dwelling Tax Investment Reserve Fund.

REASON FOR THE REPORT:

This report has been prepared to address vacant and boarded sites and to promote new and/or renovated multiple family development in Winnipeg's Major Improvement Areas, Rehabilitation Areas and the Downtown. The proposal is also intended to facilitate the redevelopment of boarded-up properties in the Osborne Village area, where new private multiple family projects are planned. These projects are not economically viable, and will likely not proceed without funding assistance.

HISTORY:

Section 138.4 of The City of Winnipeg Act provides that Council may by by-law establish a program of grants, property tax credits or refunds to encourage and assist in the construction, renovation or preservation of buildings within an area designated by council. The by-law can include provisions relating to, among other things, the types of buildings, eligibility criteria, the amount of a tax credit, grant or refund and applicable terms and conditions.

In an effort to use the legislative authority provided by The City of Winnipeg Act, a Multiple Family Dwelling Grant Program has been developed to provide incentives for neighbourhood revitalization through multiple family redevelopment and the renovation of vacant and boarded sites.

DISCUSSION:

A. Introduction:

Plan Winnipeg

Plan Winnipeg policies provide for the provision of safe and affordable housing. The Plan states that the City shall facilitate the provision of safe and affordable housing giving first priority to Major Improvement Neighbourhoods (identified on Policy Plate D) and second priority to Rehabilitation Neighbourhoods (identified on Policy Plate D) by:

- working with the housing industry, financial institutions, volunteer and non-profit organizations, and other levels of government to develop long-term funding strategies;
- promoting increased home ownership among low income residents,
- encouraging landlords and homeowners to maintain safe housing through information, inspections and, where necessary, by-law enforcement;
- supporting, in partnership with not-for-profit community housing groups, the acquisition and redevelopment of vacated houses;
- promoting timely demolition when rehabilitation is not feasible and adopting a strategy for the temporary or long-term re-use of vacant land when houses are demolished, and
- ***proposing tax increment financing and tax credit programs to facilitate affordable infill development and improve housing stock in older neighborhoods***

The Winnipeg Housing Policy

In October of 1999, City Council endorsed the *Winnipeg Housing Policy* to address the serious decline in housing conditions in Winnipeg's 14 Major Improvement Inner City Neighbourhoods.

The City has provided funding to support housing initiatives through the creation of a $7 million Housing Investment Reserve Fund.

The City has been active, since May 2000, in delivering housing improvement programs both through staff support programs and through the Winnipeg Housing and Homelessness Initiative. The Housing Investment Reserve Fund has supported various levels of improvement to some 600 housing units in Winnipeg's Inner City, to date. Approximately 77% of all funding has been directed at one family units.

Vacant Dwellings By-law

On February 27, 2002, Council passed By-law No. 7983/2002 The Vacant Dwellings By-law to address the serious health, safety and sustainability concerns that vacant and boarded-up dwellings have raised throughout the City, and especially for Winnipeg's inner city neighbourhoods.

The Fire Prevention Branch recently completed a comprehensive exterior inspection and assessment of all vacant and boarded buildings within the City of Winnipeg and prepared a registry of these buildings. Significant information obtained from these inspections, includes the following:

- There are some 333 vacant and/or boarded single family structures within the City;
- There presently are 133 vacant and/or boarded multiple family structures within the City;
- Approximately 60% of all vacant and boarded dwellings are in poor or very poor condition

The By-law should be supported by housing renewal strategies and tools that:

- are consistent with Plan Winnipeg policies and the Winnipeg Housing Policy, and
- facilitate the rehabilitation of vacant and boarded dwellings.

B. Proposed Grant Program

As previously noted, there are some 133 vacant and/or boarded multiple family structures within the City. While public sector programs can facilitate the redevelopment and renewal of many inner city properties, additional incentives are necessary to promote private sector investment in Winnipeg's inner city neighbourhoods. Plan Winnipeg specifically notes that tax increment financing and tax credit programs can assist in providing for the provision of safe and affordable housing.

Tax credit or grant programs could provide a tool to introduce complementary initiatives that promote private investment in infill multiple family development, and in the improvement of housing stock in older neighbourhoods. The proposed grant program, based upon incremental tax increases, is designed to assist multiple family projects which would not otherwise be viable, to be completed.

Tax Credits for Buildings in Designated Areas

Urban Tax Credit Legislation:

Section 138.4 of The City of Winnipeg Act provides that:

> Council may by by-law establish a program of grants, property tax credits or refunds to encourage and assist in the construction, renovation or preservation of buildings within an area designated by council and any such by-law shall include provisions:
>
> (a) prescribing types or classes of buildings eligible for a grant, tax credit or refund;
>
> (b) establishing terms and conditions under which a grant, tax credit or refund may be provided or terminated;
>
> (c) establishing criteria for determining:
>
> (i) the amount of a grant, tax credit or refund,
>
> (ii) the maximum annual grant, tax credit or refund, and
>
> (iii) the period of time in which a grant, tax credit or refund may be paid out to an owner or applied to taxes;
>
> (d) respecting eligibility criteria for recipients of grants, tax credits or refunds; and
>
> (e) respecting any other matter that the council considers necessary or advisable.

Resources:

The City of Winnipeg has committed $7 million through the Winnipeg Housing Initiative to the renewal of housing within 4 Target Housing Improvement Zones and various locations within the Downtown. Funds dedicated to the Housing Investment Reserve Fund have been allocated on an annual basis.

Implementation of any private sector renewal or redevelopment initiative for multiple family development is constrained by the availability of funding. This program will not utilize any of the Housing Investment Reserve Funds.

The urban tax credit legislation provides an opportunity to create a *"Self-Funded Multiple Family Tax Investment Reserve"*. Approved multiple family projects would fund an investment reserve through their incremental municipal tax increases.

It is proposed that a three (3) year By-law be adopted as a pilot project, in order to provide an opportunity to monitor and assess the impacts and benefits of a multiple family tax grant program. Although the By-law would be based upon a three (3) year term, grants available under the related program would be paid out for up to five years following the date of project approval. An incentive grant program would be structured in the following manner:

Multiple Family Dwelling Grant Program

1. The grant program would apply only to properties that meet all of the following criteria:
    - Properties located in the 14 Major Improvement Neighbourhoods and the 19 Rehabilitation Neighbourhoods identified under Plan Winnipeg;
    - vacant land or boarded buildings existing on the date that the Multiple Family Dwelling Grant By-law comes into force and effect, or any other site(s) approved by Council; and
    - Multiple family projects that are not receiving other City of Winnipeg grants or subsidies.

2. Developers of multiple family projects, who are the owners or entitled to be the owners, would be required to make an application, submit all necessary legal, corporate, financial and project information to the Director of the Planning, Property and Development Department;

3. Projects would require approval from the Director of Planning, Property and Development in order to qualify for grants under the program. An appeal would be available to The Standing Policy Committee on Property and Development;

4. All property taxes, utility charges or rates of any nature whatsoever, which have become due to the City, must be paid out in full prior to any application being approved and prior to any grant being paid out; and

5. All construction must be completed and all invoices, bills and costs related thereto must be paid and an agreement entered into with the City, all to the satisfaction of the Director, prior to any grant being paid out.

Tax Investment Reserve Fund

1. A Multiple Family Dwelling Tax Investment Reserve Fund would be established with the Director of the Planning, Property and Development Department designated as the fund manager;

2. In approving a project, the Director of the Planning, Property and Development Department would consider the following:
    - The existing municipal tax paid on the land;
    - The projected municipal tax that will be paid to the City based on development of the approved project; and
    - The above information would be obtained through consultation with the Property Assessment Department and the Corporate Finance Department.

3. The municipal tax revenue applicable to the site would continue to be paid into the City's general revenue accounts;

4. The incremental increase in municipal tax revenue paid to the City after redevelopment would be transferred into the Multiple Family Dwelling Tax Investment Reserve Fund for up to five (5) years;

5. The City would retain any interest accruing on the Investment Reserve Fund;

6. The value of the grant paid to the developer would be equal to 10% of the eligible costs (construction value excluding land) to a maximum of $250,000;

7. An additional grant would be provided to properties containing boarded buildings in the amount of $10,000 per principal structure (to a maximum of 5 structures or $50,000), in order to promote the redevelopment and abatement of unsightly or potentially unsafe buildings;

8. Provided that all performance criteria and conditions have been satisfied within 5 (five) years from the date of project approval, the grant would be paid to the developer as follows:

    - When the total value of the accumulated incremental municipal tax for the project equals 10% of the eligible costs (construction value) to a maximum of $250,000, or
    - At the end of 5 years, if the accumulated incremental tax is less than 10% of the eligible costs to a maximum of $250,000.
    - Additional credits of $10,000 per existing boarded principal structure would be added to the above grant to a maximum of $50,000.
    - The total maximum grant available would be $300,000 ($250,000 plus $50,000)

Financial Considerations

It should be noted that incremental taxes will flow immediately to the Province of Manitoba for the Education support levy and to the applicable School Division. In addition, future City budgets will require an expense to permit general municipal tax revenue to flow to the investment reserve.

Project Example

The following is an example of incentives provided to a multiple family project under the proposed Multiple Family Dwelling Grant Program. The example is based upon actual cost projections generated from a 42 unit multiple family condominium project, with hard construction costs of $4,000,000.00. The total project costs including land and soft costs are approximately $6,000,000.00. The example incorporates current and projected tax information provided by Property Assessment and Corporate Finance.

Tax Grant Calculation

Tax Grant Calculation	Amount
Eligible Project Construction Costs	$4,000,000.00
10% Value	$400,000.00
Maximum Grant	$250,000.00
Existing Boarded Structures 4@$10,000/Unit	$40,000.00
Applicable Grant	$290,000.00

Tax Revenue Benefits

Project Status	Vacant and Boarded Property	Project Completion Year 1	Project Completion Year 2	Project Completion Year 3	Project Completion Year 4	Project Completion Year 5
Municipal Taxes	$3,000.00	$74,000.00	$74,000.00	$74,000.00	$74,000.00	$74,000.00
Cumulative Municipal Incremental Tax Increase	0	$71,000.00	$142,000.00	$213,000.00	$284,000.00	$355,000.00
Applicable Grant Paid to Developer	0	0	0	0	0	$290,000.00
Tax Revenue Paid to City	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$68,000.00

Note: 1. Tax information is static and is based on 2001 data.
2. The municipal tax projections require an assessed value of $135,000 per unit.

Conclusion:

- Tax revenue generated for the City on the above noted project would increase through redevelopment of the land from $15,000 to $370,000 over a five year period, with $290,000 being rebated back to the developer.

- Redevelopment of vacant and boarded sites would improve the physical, social and economic environment within individual neighbourhoods and the City as a whole;

- Costs associated with the Multiple Family Dwelling Grant Program would be funded by the project;

- Tax incentive grants would encourage private sector investment in multiple family renovation and redevelopment in targeted areas of the City, by ultimately reducing costs and improving affordability; and

- Projects approved under the program would have a positive impact upon the surrounding area and neighbourhood, because they would foster private investment in the other properties and promote an overall increase in property values and assessment.

Financial Impact Statement

Date: May 8, 2002

Project Name:

Proposed Muliple Family Dwelling Grant Program

First Year of Program 2003

	2003	2004	2005	2006	2007
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	$ 500,000	$ 750,000	$ 500,000
Less: Incremental Revenue/Recovery	250,000	500,000	750,000	750,000	750,000
Net Cost/(Benefit)	$ (250,000)	$ (250,000)	$ (250,000)	$ -	$ (250,000)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

The above cost/revenue analysis is based on the assumption that there will be a total of 15 projects completed evenly over the three year period (2003 - 2005) at an average $200,000 total grant per project, with each project producing $50,000 in incremental taxes. In order to eliminate the cost impact of the program on City expense budgets, incremental tax revenues cannot be transferred to the Reserve Fund until the year following the initial generation of incremental taxes. Accordingly, net benefits to City evenues are created in years 2003 to 2005. This will provide the Tax Investment Reserve with sufficient funds to pay out grants commencing in 2007, but it is possible that other funding sources will be required to complete the payout of grants in future years.

Gord Courage, Manager
Support Services Division

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH:

Housing Development Administrator	Planning, Property and Development
Manager of Real Estate Division	Planning, Property and Development
Manager of Support Services Planning	Property and Development
Manager of Planning and Land Use	Planning, Property and Development
Manager of Downtown Improvement	Planning, Property and Development
Manager of Taxation and Revenue CentreVentre	Corporate Finance
Legal Services Staff	Corporate Services

This report submitted by:

Planning, Property and Development Department

Division: Interim Housing Unit

Prepared by: Ray Klassen, Housing Development Administrator

PD File #:

Document name: O:\Reports Directive\Office of the Director\Housing Dev't Coord\Multiple Family Grant Program.doc