Agenda – Executive Policy Committee – May 18, 2022

REPORTS

Item No. 24 Heritage and Economic Development Incentive Program By-Law

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Heritage and Economic Development Incentive Program By-law, attached as Appendix A, be enacted.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Heritage and Economic Development Incentive Program By-Law

Critical Path: Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Dryburgh	M. Jack	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

This report seeks enactment of a By-Law to support the Heritage and Economic Development Incentive Program (The Program) approved by Council in February, 2022 at the same time that Council approved the Tax Increment Financing (TIF) Policy.

Subject to the maximum grant amounts of The Program, the proposed By-Law will provide for grants of up to 80 percent of incremental municipal property taxes, for up to ten years, to support redevelopment of heritage buildings, redevelopment of surface parking lots in the downtown, as well as new and expanded businesses.

Other key elements of The Program addressed in the proposed By-Law include:

- Total TIF grants of $20 million available for The Program consisting of $10 million for developments within downtown and $10 million for developments situated outside of the downtown.
- Delegated authority for the Senior Manager, Economic Development and Policy, to approve TIF grants for individual developments under The Program of up to $1 million with Council approval required for all grants in excess of $1 million.
- A maximum TIF grant of $2 million per development.
- An evaluation committee comprised of City staff, to be determined by the CAO, tasked to make recommendations to the Senior Manager, Economic Development and Policy, (or Council for grants over $1 million) on applications for eligible developments under The Program.
- Criteria for providing conditional approval of a TIF grant.
- Designating the Standing Policy Committee on Innovation and Economic Development to hear appeals related to decisions of the Senior Manager, Economic Development and Policy, that are subject to appeal under the Charter.

The proposed By Law is attached in Appendix A. Details of The Program approved by Council in February 2022 are attached in Appendix B.

RECOMMENDATIONS

1. That the Heritage and Economic Development Incentive Program By-law, attached as Appendix A, be enacted.

2. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

On February 24, 2022, Council instructed the Director of Legal Services and City Solicitor to prepare a By-Law for the Heritage and Economic Development Program and bring same directly to Council for enactment.

IMPLICATIONS OF THE RECOMMENDATIONS

If the Heritage and Economic Development Incentive By-Law is enacted by Council the Public Service will begin accepting applications for eligible developments under The Program starting in the spring of 2022.

HISTORY / DISCUSSION

On February 24, 2022, Council approved a Tax Increment Financing (TIF) Policy which provides guidance on the use of TIF to support certain developments including affordable housing, redevelopment of heritage buildings, redevelopment of surface parking lots and new and expanded businesses, transformative developments and redevelopment of brownfield sites. At that time, Council approved key elements of the Heritage and Economic Development Incentive program (The Program) that operationalizes TIF support for all of the aforementioned developments, excluding affordable housing, transformative developments and brownfield sites.

On March 24, 2022, Council approved the Affordable Housing Now program and the associated By-law which operationalizes TIF support for affordable housing developments. TIF support for transformative developments will be considered by Council on a case by case basis and TIF support for brownfield sites will be included within a broader program to be developed by the Public Service for Council's consideration in the future.

<u>Heritage and Economic Development Incentive Program By-Law:</u>

Elements of The Program addressed in the By-law include:

- Subject to maximum grants of The Program, it provides for TIF grants of up to 80% of the incremental municipal property taxes for up to 10 years for eligible surface parking lot developments and new or expanded businesses situated downtown and heritage buildings located anywhere in the City, as well as up to 5 years for new and expanded businesses developments situated outside of the downtown (excluding greenfield areas).

- Total TIF grants of $20 million available for The Program consisting of $10 million for developments within downtown and $10 million for developments situated outside of the downtown.
- Delegated authority for the Senior Manager, Economic Development and Policy, to approve TIF grants for individual developments under The Program of up to $1 million with Council approval required for all grants in excess of $1 million.
- A maximum TIF grant of $2 million per development.
- A process for providing conditional approval of a TIF grant which will stipulate that an applicant is eligible to receive the *lesser* of:
    - The maximum dollar value of the TIF grant approved for the development or;
    - 80% of the incremental taxes on the development to a maximum time length of the TIF (in years) approved for the development.
- An evaluation committee comprised of City staff, to be determined by the CAO, tasked to make recommendations to the Senior Manager, Economic Development and Policy, (or Council for grants over $1 million) on TIF grant applications for eligible developments under The Program.
- Designating the Standing Policy Committee on Innovation and Economic Development to hear appeals related to decisions of the Senior Manager, Economic Development and Policy, that are subject to appeal under the Charter.
- Conditions on a grant similar to those required by the Affordable Housing Now Program By-law (approved by Council on March 24, 2022).
- Details concerning implementation of The Program.

If Council enacts the By-Law for The Program then the Public Service can begin accepting applications and approving TIF grants for eligible developments.

FINANCIAL IMPACT

Financial Impact Statement **Date:** May 5, 2022

Project Name: **First Year of Program** **2025**

Heritage and Economic Development Incentive Program By-Law

	2025	2026	2027	2028	2029-2037
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants					
Reserves, Equity, Surplus					
Other					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 525,387	$ 1,061,281	$ 1,607,893	$ 2,165,438	$ 14,638,111
Less: Incremental Revenue/Recovery	656,733	1,326,601	2,009,867	2,706,797	18,297,639
Net Cost/(Benefit)	$ (131,347)	$ (265,320)	$ (401,973)	$ (541,359)	$ (3,659,528)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (131,347)	$ (265,320)	$ (401,973)	$ (541,359)	$ (3,659,528)

Additional Comments:

Direct costs represent the estimated tax increment financing grants to be paid between 2025 and 2037. Grants are limited to 80% of incremental municipal property tax generated from eligible developments under The Program to a maximum of $20 million. The incremental revenue/recovery represents the estimated incremental property taxes generated by The Program. It is estimated the City will retain $5 million of total incremental municipal property taxes over the entire term of grants from 2025 to 2037. Approved developments are expected to generate $4.0 million of property tax revenue for the City annually after the last grant is paid in 2037.

Estimates were based on the 2022 assessment roll with 2% annual rate of inflation. Final assessment values and related taxes can only be calculated upon completion of projects. As such, the amount and timing of municipal taxes arising from The Program are subject to many different variables and may vary from these estimates.

Jocelyn Peters - May 5, 2022

Jocelyn Peters, CPA, CGA
Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with the departments listed below, and they concur with its content.

- Legal Services (as to legal issues)
- Planning, Property and Development Department
- Assessment and Taxation Department

OURWINNIPEG POLICY ALIGNMENT

Alignment with OurWinnipeg 2045 (subject to third reading by Council):

- 3.6- Prioritize the Downtown by leveraging private and public investments, including housing, entrepreneurship, arts, entertainment, and tourism, that advance its status as an economic driver.
- 3.7 -Facilitate the economic viability of heritage conservation.
- 4.4 - Enable collaborative partnerships that provide a continuum of existing or new affordable housing, making use of municipal supports such as fiscal, regulatory and measurement tools.
- 6.4 - Collaborate with government bodies, including Indigenous, Federal, and Provincial governments, and stakeholders in pursuit of the context-sensitive remediation and redevelopment of brownfield lands.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

4.1 – Increase strategic infill development that provides access to and capitalizes on existing and planned corridors with frequent transit service.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Affordable Housing Life Pole and Goal 2: The City actively plans for and partners in affordable housing.

SUBMITTED BY

Department: Office of the Chief Administrative Officer
Prepared by: Matt Dryburgh, Senior Manager, Economic Development and Policy
Date: May 5, 2022

ATTACHMENTS:

Appendix A – Heritage and Economic Development By-law draft

Appendix B – Program details approved by Council