WAVERLEY WEST
PROPOSED PLAN WINNIPEG AMENDMENT
CITY OF WINNIPEG FINANCIAL IMPACT ANALYSIS

DECEMBER 10, 2004

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INTRODUCTION

This paper was prepared by the administration and should be read in conjunction with the attached appendices.

This paper was prepared in response to the proposed redesignation of the area commonly referred to as Waverley West from a *rural policy area* to a *neighbourhood policy area.* Plan Winnipeg – 20/20 Vision (Plan Winnipeg) requires that the costs of extending or developing a new service infrastructure to support development be taken into consideration and examined in relation to the financial benefits that might be accrued from the development. Specifically, Plan Winnipeg states the redesignation of land from rural policy to neighbourhood policy take place only *".... where a full range of municipal infrastructure can be provided in an environmentally sound, economical, and timely manner...".*

Economical can be defined as "giving good value or return in relation to the resources used or money spent".[1] Excluding non-financial criteria, Waverley West would give "good value" to the citizens of the City of Winnipeg provided that the tax revenues generated by the development outweigh the tax-supported costs. This paper and accompanying appendices address this question. Also, given the fiscal framework within which the City currently functions, the timeframe over which any analysis is prepared of how "economical" Waverley West would be is critical to the conclusion drawn.

APPROACH

The scope of this analysis is limited to an assessment of the potential revenues to accrue to and expenditures to be incurred by the City of Winnipeg relative to the proposed Waverley West development. It does not include the costs associated with the initial provision of local services and infrastructure, as these are the responsibility of the developer (e.g. local streets, water, sewer, land drainage, etc.).

The purpose of this analysis is to examine the potential impact on the City's tax-supported operating and capital budgets associated with this development. Specifically, it seeks to provide an answer to the question of whether or not the tax-supported costs of Waverley West will be offset by corresponding realty and business taxation revenues as well as permit and development fees revenues. ***It is important to note that this paper is based upon the current fiscal framework within which the City operates. It does not encompass any potential future revenue streams or cost-sharing scenarios.***

This financial analysis covers an 80-year time span in order to provide a general level of understanding of the potential long-term financial impact of suburban development and considers four primary components:

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[1] Source: Oxford Dictionary of English (2nd Edition).

1. Direct revenues to the City of Winnipeg through taxation, permits and development fees;
2. Initial capital costs for the City to provide infrastructure;
3. Infrastructure renewal costs as the subdivision ages; and
4. Operating expenditures to maintain that infrastructure and provide services.

This analysis considers the *incremental* cash inflows and outflows to the City of Winnipeg resulting from the proposed development. That is, both the revenues and expenditures that are *"triggered by"* the development of Waverley West are considered. This is more inclusive and conservative than simply considering the revenues and expenditures that are *"apportioned to"* development in the subdivision. For example, the full cost of adding lanes to a given roadway is considered a cost of Waverley West if the development triggers the construction, this despite the fact that less than 100% of the users of the new lanes are Waverley West residents. In other words, any additional costs caused by the development in Waverley West have the full cost attributed to the subdivision.

KEY ASSUMPTIONS

1. Base Methodology

   This analysis was prepared using constant 2003 dollars (no inflation). Also, property taxation revenues were calculated based on a fixed housing market set at today's assessed value (1999).

2. Property Taxation Revenues

   Property taxation revenues accruing to the City of Winnipeg will decrease over time as homes in the development age. This rate of decrease has been determined through a statistical analysis of homes that have sold in the Fort Garry area of the City in the years 2002 and 2003. This analysis uses the same methodology as used in the City's Property Assessment Department, which considers age in determining the assessed value of properties.

   Notwithstanding the fact that all homes tend to increase in value over time, all other factors being equal, an older home is worth less than an identically built new home. Since this analysis uses constant dollars, the result is that as the homes in the subdivision age, the City receives a decreasing amount of property tax revenues from these homes.

3. Initial Capital Costs for Internal and Offsite Transportation

   As per current practice, the cost of the local infrastructure within the proposed subdivision itself is considered the responsibility of the developer and is excluded from this analysis, while the cost of regional (arterial) streets bordering or within the development is shared equally between the developer and the City. The cost of

extending or expanding certain regional streets beyond the immediate borders of Waverley West is assumed to be 100% funded by the City or shared by other jurisdictions.

The full cost of offsite transportation is assumed to be the responsibility of the City. This financial impact analysis has been prepared on the premise that a portion of the initial capital costs of all offsite regional streets that are triggered by development in Waverley West are attributable to the development. Given that approximately 2/3 of residential development in the southwest quadrant of the city will occur in Waverley West[2], 67% of the costs of offsite transportation infrastructure are attributed to the subdivision. Also, there is recognition that there are existing needs for certain capital expenditures on roadways in the southwest quadrant of the city and that while Waverley West would accelerate the required construction, no portion of these expenditures are attributed to the development.

4. Infrastructure Renewal

While the majority of the initial capital costs of transportation infrastructure within the boundaries of Waverley West are the responsibility of the developer (100% of local streets and 50% of regional roadways), the City is responsible for 100% of the ongoing maintenance and renewal of this infrastructure. The same assumption used to determine the initial capital costs of offsite infrastructure attributable to the subdivision is applicable to renewal costs. That is, while 100% of the cost is the responsibility of the City, only those roadways whose construction was triggered by Waverley West are included in the analysis.
The lifetime infrastructure renewal timing and amounts are based upon pavement management processes and life-cycle pavement renewal practices employed by the City's Public Works Department.

5. Transit

While detailed transit service plans are dependent on the completion of a secondary plan, it is assumed, for this analysis, that four new transit routes will be implemented to serve the Waverley West area. These routes will link Waverley West to the downtown via Pembina Highway, to Polo Park via Kenaston, to the University of Manitoba via Bison and Chancellor Matheson, and to activity centres in adjacent neighbourhoods. The *incremental* annual operating costs to provide this service, including operations, maintenance, and vehicle acquisitions, are approximately $9 million. The *incremental* annual passenger revenues generated by *net* new ridership attracted to the four routes are estimated to be $3.2 million (based on current transit fares). The residual of $5.8 million is assumed to be the required annual tax-supported subsidy. It is assumed that new development in Waverley West will accommodate real population growth in Winnipeg and that it will not result in the redistribution of the city's current population across a larger geographical service area. Consequently, existing transit services will need to be maintained to serve

[2] Source: City of Winnipeg "Residential Land Supply Study" (2004).

existing passenger demand. In this respect, the four new routes are required to serve *incremental* demand resulting from the development of Waverley West and will not eliminate the need for any existing transit services.

LIMITATIONS

This financial impact analysis was prepared using the best information available at this time together with assumptions that reflect the administration's best judgment as to probable future conditions. Given the uncertainties inherent in predicting future conditions and actions, readers should be cautioned that actual results may vary from the information presented and the variation may be material in nature. Finally, this analysis was prepared to assess the potential impact on the tax-supported budgets of the City of redesignating the area commonly referred to as Waverley West from rural policy area to neighbourhood policy area. Use of this information for other purposes may not be appropriate.

Appendix A

Waverley West Financial Analysis
Summary of Cumulative Revenues and Costs to the City Over the 80 Year Period

constant 2003 dollars in millions	City
Revenues	
Taxes	$1,473
Other	$17
Total Revenues	**$1,491**
Costs	
Roads - Internal	$69
Roads - Off Site	$31
Other Capital	$32
Total Initial Capital Costs	$132
Renewal Costs	$224
Total Capital	**$356**
Residential & Commercial Operating	$631
Transit	$387
Total Operating	**$1,018**
Total Costs	**$1,373**
Revenues minus Costs	**$117**
Net Present Value	**$71**