Agenda - Executive Policy Committee - September 4, 2002

REPORTS

6. From the Civic Environmental Committee
Minute 87 - CEC, 2002/08/12

2003 Home Renovation Tax Assistance Program
File E-7 (Vol. 1)

Advising that on August 12, 2002, the Civic Environmental Committee considered the above noted matter and passed the following motion with respect thereto, namely:

"That the following revisions be included in the eligibility criteria and promotion for the proposed City of Winnipeg 2003 Home Renovation Tax Assistance Program:

1. Increase the tax credit from fifteen percent (15%) to twenty-five percent (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 Manitoba 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; and

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;

and forward to the Executive Policy Committee."

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.

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

Manitoba Hydro
POWER SMART

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August 8th, 2002

Re: City of Winnipeg - Home Renovation Tax Assistance Program

Dear Mr. Ken Klassen

I would like to thank you for the opportunity to discuss the potential for the inclusion of energy efficient criteria under the Home Renovation Tax Assistance Program with the City of Winnipeg. I would also like to reiterate Manitoba Hydro's support on the promotion of home retrofitting to energy efficient Power Smart levels.

With similarities between the City of Winnipeg's Home Renovation Tax Assistance Program and Manitoba Hydro's Home Comfort and Energy Savings Program there exists an opportunity for both parties to work together to encourage consumers to make energy efficient choices. As you are aware, energy efficient choices decrease energy consumption, helping Manitoba Hydro rates remain one of the lowest in North America, but they also reduce greenhouse gas emissions and help stimulate the home renovation industry in Manitoba.

In support, Manitoba Hydro offers its experience, informational resources as well as our residential programs including:

- A series of renovation booklets and guidelines outlining Power Smart levels and installation procedures.
- The In-Home Energy Assessment Program.
- The Do-It-Yourself Energy Assessment Program (mail-in and on-line).
- Financing through our loan programs (Power Smart Residential Loan, Energy Finance Plan and the Residential Earth Power Loan).
- The experience and resourcefulness of our Energy Experts.
- On-line home energy and appliance calculators.
- No cost in-home energy check-up for seniors from May – August (Wisdom In Saving Energy Home Program).

I look forward to working further with the City of Winnipeg in achieving our common goal.

Sincerely yours,

Jamie Hopkins
Market Analyst
Marketing Programs