



Aug. 31, 2016

Mayor Brian Bowman and
City Council
City of Winnipeg
4th Floor, 510 Main St.
Winnipeg, MB R3B 1B9

An Open Letter to the Mayor and Councillors

As citizens first and developers second we implore Councillors to ensure that before any action is taken to implement a tax on development, you fully understand and appreciate the implications this will have for all Winnipeggers. As you have made openness, accountability and transparency an admirable and welcome hallmark of your approach to government, it is surprising that the Department of Finance is trying to rush this initiative through City Council without completing detailed plans, collecting proper data or conducting open and transparent consultation.

Attached to this letter, are the responses we provided to the City of Winnipeg after the two informational sessions held with stakeholders. Our desire for true consultation is paramount and we would ask that you consider the following questions of your administration and consultants:

- Why was real consultation not incorporated in the process? Why were the timelines so tight? Why were City Councillors not invited to attend these sessions to hear from the industry themselves?
- After Council directed the Development Agreement Parameters Committee to meet weekly back in December, why were there only four meetings? Who decided to cease the proceedings while the study was being prepared?
- Does the City of Winnipeg have the authority to impose development charges/fees? The Province doesn't seem to think so and the Hemson consultants, in their Saskatoon report, stated the City of Winnipeg doesn't have the authority.
- Are the numbers used by Hemson provided by the City, are they an accurate costing of approved and planned infrastructure directly attributable to the off-site impacts of new development and are the attributions correct?

Based on the information provided by the city administration to the consultants thus far, this seems to be nothing more than a tax grab designed to backfill an infrastructure deficit. Don't tax current and future growth for past infrastructure problems.

Initiating this new tax means every new house, condominium unit, office, retail outlet and warehouse and factory will cost significantly more to build. This cost will be passed through to the consumer and many will choose to buy outside the city or rent.

As an industry that directly employs over 15,000 people, (the majority of whom are trades-people) and pays out nearly \$1 billion in wages to Winnipeggers, this decision is critical to determining if we are stimulating growth or if we are stifling growth. ***This is a pivotal moment in Winnipeg's future and reckless decisions made now could result in disastrous conditions from which we won't be able to recover.***

We believe developers should pay for the demonstrable and measurable impacts of development. The private sector has played a big role in developing our city, having provided over \$630 million in kind contributions to capital over the past 9 years. The families buying homes in new areas are already paying higher taxes and contributing considerably more than the cost of city services. This has been well documented in cost benefit studies required by *OurWinnipeg* and demonstrates the net new revenues from



new developments more than pay for new costs associated with new developments. We must determine, through a comprehensive, defensible process, to what extent homeowners, businesses and companies in new areas should subsidize before we risk pushing them to build outside of Winnipeg and take with them their property taxes.

As developers and homebuilders we are like every other small business – if our costs go up, we must try to gain efficiencies and then we have to pass those costs on to the consumer. We don't want to drive people from Winnipeg to build outside the perimeter -- that will only result in all of us paying even higher taxes. **It is imperative that the City of Winnipeg undertake a meaningful consultation process to get the next steps right – to drive growth not to kill it.**

We respectfully once again ask that City administration and elected officials sincerely engage with all of the stakeholders, share their data and information and work toward a properly designed solution. To date the process has been all top down, ill-informed and based on incomplete data. When all stakeholders have contributed to the dialogue, and factual information and informed analysis has been objectively presented, homeowners and taxpayers can be comfortable the best decisions are made.

Thank you for your time and we look forward to working with all stakeholders to find a fair and equitable solution.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric Vogan', written in a cursive style.

Eric Vogan, President
Urban Development Institute, MB

A handwritten signature in black ink, appearing to read 'Mike Moore', written in a cursive style.

Mike Moore, President
Manitoba Home Builders Association



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RE REVIEW OF MUNICIPAL GROWTH FINANCING MECHANISMS

Thank you for the opportunity to read the Review of Municipal Growth Financing Mechanisms: Working Report for Discussion dated July 15, 2016, and to attend the presentation on July 19.

From the outset it appears some of the data in the working report is incorrect and undermines the conclusions drawn. For example, the graph showing 2014 capital expenditures by city is skewed drastically due to the exclusion of two major P3 projects.

UDI agrees in principle that growth should pay for growth but before we arrive at a reasonable process for establishing the cost of growth attributable to new development we need to come to a common understanding of what that means. As required by Our Winnipeg, developers have repeatedly produced cost-benefit studies that indicate the net new revenue from new development more than pays for net new costs associated with the developments. In fact the taxes from new neighbourhoods are important net contributors to overall City finances and services to the rest of the City. The City neglects investing those benefits in new infrastructure, continuing to use new money to pay for old problems. Funds raised from charges on new development must not repeat that mistake. They must be directed towards capacity for future growth, not for the sins of the past from the 70s and 80s, the 90s or even the last decade. The future starts now.

Our Winnipeg

“There is a convergence between the challenges of land supply constraints and economic sustainability. This convergence presents a major opportunity for Winnipeg.

This as an important point in our city's history: we believe that “It's Our City, It's Our Plan, It's Our Time.”

UDI, through the Development Agreement Parameters process, has presented an agenda for the creation of appropriate charges for new development to replace the current customized development agreement procedure now employed by the City of Winnipeg. The hope is that the development process will be better understood by many and the costs of new development can be more evenly distributed among new neighbourhoods.

Our Winnipeg

“... a city that works also recognizes that attractiveness and vibrancy are integral to a high quality of life. There needs to be a variety of housing styles for residents to choose from and transportation choices for residents and businesses alike.

This requires the City to make land available for development and to support the creation of an attractive variety and mix of housing that appeals to various affordability ranges.”

UDI also recognizes that growth is very important to the City of Winnipeg. Over the period of 2010 to 2014, even as tax rates were frozen, new assessment provided the City with a much needed \$100 million in new revenue. While average property taxes may be low, people in new neighbourhoods pay three, four, and five times the amounts paid in older core neighbourhoods. Without this new assessment from growth, all citizens will have to pay more to cover the core deficit.

We are concerned that new charges on developments are being rushed without sufficient, responsible consideration, and that the consequences to the entire City could be long lasting. Development cost charges are most common in high growth areas where demand is inelastic. That, historically, is not Winnipeg. Although we would be loath to say that Winnipeg is not attractive, the cost of living is an important and desirable feature not to be discounted. New charges will make Winnipeg less attractive to newcomers. Projections for growth are perhaps more favourable in the near future, but options are too readily accessible in the communities surrounding the City for home buyers to tolerate much more price pressure. And if markets won't support the prices, development will slow, and decisions to initiate new development shelved. This happened in the late 80's and 90's.

Our Winnipeg

A City That Works pays attention to the connections between competitiveness, sustainability and being a well-run city that offers a high quality of life. The directions in this section provide a strong and responsive framework for actions that will send a positive signal for investment in our city, promote prosperity, enhance quality of life and help secure our competitive place on the global stage for decades to come.

We appreciate and support the intent to understand other models of applying development cost charges as a basis for understanding possible options for Winnipeg. Jurisdictions with well-established schemes include clear provisions that identify costs attributable to future growth, directing funds raised toward that new infrastructure within a transparent broadly understood structure, all while being mindful of the important economic benefits of new growth.

Understanding other models of financing growth is important as one source of information but these must be considered in their entirety. Jurisdictions that have been held up as leading examples are also actively committed to an effective and ongoing stakeholder engagement process.

- Recognizing that Calgary had a long-standing (30 years) and well-established process for planning, estimating and attributing the costs of growth through a master development agreement, its recent process to amend existing structures for off-site levies included engagement of a stakeholder advisory group over the course of nine months and 44 meetings through each phase, from defining principles, options, analysis, calculations, to review of final proposed changes.
- BC has developed a best practices guide that is written with the benefit of decades of experience of various forms of charges and numerous legal confrontations.

- Ontario's review of the development charges system and related legislation involved public and stakeholder consultations over several months supported by a detailed discussion paper. A Development Charges Working Group of key stakeholders was established to provide advice on complex issues over a further period of approximately 9 months

It is imperative there be a **meaningful and well-defined engagement process** with affected stakeholders, to look in detail at proposed costs and proposed attributions **before any new charges are proposed**.

We need to get this right. Demand for new housing in Winnipeg is very elastic compared to other jurisdictions. With a very low long-term growth rate and relatively low household income, current demand for housing could be displaced into larger household sizes in single and multifamily dwellings or deflected into other municipalities. This would result in higher costs to the city with no related increase in assessment - i.e. higher taxes for all. We all agree that we need to find solutions to the City's financial problems. We want to be part of that process.

Hemson's next report should make recommendations for, enhanced process, clear policy, and the **detailed, objective analysis of both the revenues and the costs to be attributed to new growth**.

We urge the City to consider the potential impact of proposed policies, including the dampening effect on growth, loss of additional assessment revenues, and impact on affordable housing.

UDI and MHBA look forward to the Hemson report leading the City back to discussions through the Development Agreement Parameters process, so that we can openly collaborate on mechanisms to ensure growth pays its fair share without damaging the very important source of revenue that new development brings to the City.

Thank you for the opportunity for input. We look forward to more meaningful engagement over the period to come.

Sincerely,

Urban Development Institute, MB

Manitoba Home Builders Association



cc Tyler Markowsky, City Economist – City of Winnipeg

