Fiscal Framework

Current Revenue

Where the Money Comes From at the City of Winnipeg

The City is constrained in the kinds of taxes it can levy. It is more or less limited to collecting revenue from taxes levied on the value of properties within the city limits. The City of Winnipeg Charter defines the purpose of the City — in part — "to develop and maintain safe, orderly, viable and sustainable communities…and to promote and maintain the health, safety and welfare of the inhabitants" and gives its council the powers "to govern the city in whatever way council considers appropriate within the jurisdiction given to it under this or any other Act…and to enhance the ability of council to respond to present and future issues in the city" (The City of Winnipeg Charter Act, 2002, p. 14–15). As such, it permits the City to, "if authorized by council, establish fees, and the method of calculating and the terms of payment of fees, for applications, filing appeals under this Act or a by-law, permits, licences, consents and approvals, inspections, copies of by-laws and other city records including records of hearings, and other matters in respect of the administration" (The City of Winnipeg Charter Act, 2002, p. 143). Therefore, while the City is limited to collecting taxes only on properties, it is more free to enact fees and levies for city-provided goods and services.

Property taxes, which are levied at a rate (called the mill rate) on the assessed value of residential and commercial property, still constitute the single largest source of revenue. A homeowner's (or business') property tax is calculated by a very convoluted process. The assessed value of the property is first multiplied by a "proportioned percentage" (45 per cent for residential and between 10 per cent for designated recreation area and 65 per cent for commercial or industry property for different kinds of businesses) to get a portioned value. This amount is then taxed at the "mill rate" (13.468 in 2022), which is the rate per $1,000 of portioned value. In the last few years, the City has been varying the mill rate so that taxes increase modestly every year (2.33 per cent in the 2022 budget).

Example of how property taxes are calculated:

Assessed value × portion per cent × mill rate/1000 = property tax

315,000 × 45 per cent = 141,750

141,750 × 0.013468 = 1909.09

If you are a homeowner, this may look low compared to your property tax bill, but it is because this only accounts for the City's share of the tax. Property tax bills also contain taxes for the school division.

In normal economic times, property taxes are not ideal for revenue generation. Unlike income or sales taxes, the tax base (the economic activity on which the tax is levied) for property taxes does not increase automatically as the economy grows. When the economy expands, revenue that governments collect through income and sales taxes increase even when the tax rate (the percentage of income or sales that is taxed) stays the same. This does not happen with property taxes.

Property taxes are also not ideal from a policy perspective. One of the principles of a good taxation system is "ability to pay," which means that taxes should be levied on those with the most ability to pay them. Property taxes are levied on the value of property, which has some connection to ability to pay in the sense that people with higher incomes tend to own more expensive houses, but this connection is not perfect. It is entirely possible for someone to live in a house of a reasonable value and earn a fairly modest income. Someone who has purchased their house during their working life and then retired on a limited pension would fall in this category. For these people increases in their property tax can hit quite hard.

An argument can also be made to suggest property taxes are not only less progressive than income taxes, but are actually regressive. In Canada, the distribution of household incomes is more unequal than the distribution of assessed home values, so low-income households pay a greater share of property taxes than the share they earn in income, and vice versa for high income households. This means, for instance, that the bottom 10 per cent of income earners would pay more than 10 per cent of the total property tax.

Results from a 2005 study showed that the lowest income homeowners — those in the bottom income quartile — paid at least twice the amount of tax per dollar of income compared to the highest income homeowners — those in the top income quartile — and in the most regressive municipalities, four to five times more (Palameta and Macredie, 2005). Winnipeg was categorized as a less regressive municipality, with its lowest income residents paying on average 2.55 times as much per dollar of income as its highest income residents in property taxes. In general, municipalities in larger census metropolitan areas, such as Toronto, Vancouver, and Montreal, tended to have more regressive property taxes.

The other problem with property taxes is that they do not fulfill any obvious policy objective. While the income that is earned from property taxes is used for a wide variety of important public services from roads to the fire department, the tax itself does not create economic incentives that move people in a desired policy direction. An example of a tax that both raises money and fulfills public policy goals would be something like a carbon tax, which creates an incentive for people to reduce their consumption of fossil fuels.

In the context of the COVID-19 crisis, however, property tax revenue does not suffer during economic downturns. Since the crisis put millions of Canadians out of work and threatened the remaining hours and earnings of many others, total incomes declined, as did the revenues collected by governments on incomes. At the federal level, total income tax revenues — including personal, corporate, and non-resident income tax — were projected to drop from $227.1 billion in 2019–20 to $222.9 billion in 2020–21 (Government of Canada, 2021, p. 329). The provincial budget is in much better shape than the government feared during the height of COVID, in part because of limited spending during COVID compared to other provinces, but also because the economy — and therefore tax revenue — bounced back more quickly than they had predicted However, it remains the case that income tax revenue fluctuates with economic ups and downs more than property taxes. At the provincial level, total income tax revenues — including individual and corporate income tax — were forecasted to decrease from $4.250 billion in 2019–20 to $4.169 billion in 2020–21 (Government of Manitoba, 2020, p. 5; Government of Manitoba, 2021, p. 11). Further, retail sales tax revenues in Manitoba were projected to drop from $2.293 billion in 2019–20 to $2.066 billion in 2020–21, since people were not spending as much as they might normally. In contrast, total property tax revenues for Winnipeg increased from $648.7 million in 2020 to $658.7 million in 2021 and are projected to increase further to $682.1 million in 2022. Despite the imperfections of the property tax, there are few other options available and it remains one of the major mechanisms for municipalities to generate the revenue required to operate, especially in the context of the COVID-19 crisis.

Other sources of municipal tax revenue suffered (City of Winnipeg, 2021, p. 2–15; p. 2–106; City of Winnipeg, 2022, p. 238). Most notably, transit ridership revenues were down by $38 million from 2020 to 2021 and parking fee revenues declined by $7 million as a result of the pandemic (City of Winnipeg, 2021, pp. 3–20–3–23). These and other losses were largely offset by a $74.5 million grant from the Federal Safe Restart Program (Kavanagh, 2021). The City has already said it expects to face yet another COVID-19 related budget shortfall for 2022.

What is less certain is whether or not the federal and provincial governments can be relied upon to provide assistance. The 2022 federal budget has two initiatives to assist municipalities — the Housing Accelerator Fund, which provides financial support for municipal planning and housing creation, and Transit Funding to address public transit shortfalls. The City accuses the Province of being a less willing partner. The Federal Safe Restart Program was not matched by the province. The Manitoba Budget 2022 did not include any new funding for municipalities to deal with COVID or transit ridership declines. The COVID related shortfalls in transit could be softened by a return to the 50/50 cost sharing arrangement between the City and the Province, which the Province unilaterally ended in 2017.

The City also collects what it calls a "business tax," which is collected on businesses in the City based on the assessed rental value of their business location. The rate was 4.84 percent in 2021, where it remains in 2022, down from 9.75 percent in 2002. This means that the amount that firms pay would equal 4.84 per cent of the assessed annual rental value of their business. Over the past 20 years, the rate has steadily declined. There was no change from 2020 to 2022, but this followed seven consecutive years of rate drops from 2013 to 2020. This yearly rate decrease means that business taxes have been decreasing both as a percentage of city revenue and in real terms. In 2001, the City collected $60.85 million (in $2002) in revenues from business taxes or 9.2 per cent of all revenues, compared to $48.8 million or 6.8 per cent in 2011 and $41.7 million or 4.9 per cent in 2021. Small businesses, those with a rental value of less than $44,200 in 2021, did not have to pay this tax.

The business tax has come under criticism because business people argue that it makes Winnipeg less competitive than cities that do not have a business tax. These critics also argue that it is unfair because some businesses must pay both the business tax and the non-residential property tax. However, this argument is only reasonable if the combined taxes on business are in some way "too high." It is true that many cities in Western Canada do not have a business tax, but this is compensated for with higher rates on non-residential property taxes. Compared to other selected cities, Winnipeg fell on the lower end of the per cent of municipal tax revenue received from non-residential properties — mostly businesses — in 2019 at 36 per cent, compared to the average at 43 per cent (see *Figure 1*). There could well be an argument for eliminating the business tax in name and unifying the business tax and the non-residential property tax. If the business tax were eliminated, the non-residential commercial property tax should be increased to ensure no loss in revenue to pay for city services businesses rely upon: roads, fire, police and public wellness. This is precisely the change that Edmonton introduced in 2013.

In addition to property and business taxes, the City has looked for new ways to make money. For example, the frontage levy, a tax the City levies on the length of the frontage of a property on a street that has a sewer or water main, is currently $5.45/foot. According to the City, the frontage levy is separate from the property tax, allowing the City to claim that it is limiting property tax increases while still increasing its revenue through the frontage levy.

Where Does Winnipeg Stand?

We can analyze the state of the City's finances by comparing them to other comparable cities in Canada and to the City's own historical record.

Turning first to Winnipeg's comparison to other cities, the City has been quick to advertise its tax advantages over its municipal rivals. *Figure 2* shows the property taxes levied on an "average" home in selected Canadian cities. Winnipeg's property taxes were lower in 2021 than any of the cities in the sample, at $1,857. The next lowest was Halifax at $2,036 and the highest was Ottawa at $4,075. Of course, the flip side of the lower property tax coin is that Winnipeg raises less revenue on an "average" home than these other cities.

The low property tax environment in Winnipeg is the result of a 14 year refusal to increase property taxes prior to 2012. While the City has increased property taxes after 2012, between 1998 and 2020, Winnipeg increased its property taxes by much less than its Canadian counterparts (see *Figure 3*). Compared to the average homeowner in other Canadian cities, the percent increase that the average Winnipeg homeowner has experienced to their municipal tax bill over the last 22 years has been incredibly low at 22 per cent, compared to the average among selected cities at 140 per cent.

Winnipeg's recent tax changes still place them on the lower end of the spectrum for Western Canadian cities. In 2021, only Edmonton's 0 per cent increase and Calgary's 0.2 per cent decrease were lower than the 2.33 per cent increase in Winnipeg. Other cities increased their property taxes by much more than Winnipeg. Saskatoon increased theirs by 3.87 per cent and Vancouver by 5 per cent from 2020 to 2021.

Overall, the comparisons with other cities suggest that Winnipeg has starved itself of much needed revenue to fund public services. It is certainly true that Winnipeg has gone against the grain compared to many other Canadian cities which have increased property taxes over the last twenty years.

The other comparison is to examine how the City has changed its revenue raising and spending decisions over the last several years. *Figure 4* shows the changes to the City's revenue between 2001 and 2021. At first glance it looks as though Winnipeg's total budget expanded dramatically during this period, from $651 million to $1.18 billion, an increase of 81.3 percent. However, this number overstates the extent of the growth of the City's budget for two reasons. The first is that it fails to account for inflation. Over time there is a general trend for the average prices we pay for goods and services to rise. This is the distinction that economists make between nominal (the stated price) and real (how much a given amount of money will actually buy) values. In order to calculate the real value of the City's budget, the effect of inflation must be taken into account. Viewing the City's revenues in real terms, then, accounting for inflation using the consumer price index (CPI) with 2002 as a base year, the increase has been much more modest, from $660 million in 2001 to $850 million in 2021.

The other reason that it overstates the increase in the city budget is that it fails to account for the increase in Winnipeg's population. More people mean both greater demands on the City's services and more people paying taxes. Accordingly, both revenue and expenses should go up with population growth. So, we should also account for population growth by measuring revenue per person. Over the last 20 years, Winnipeg's population has increased by more than 150 000 people, from 637 100 in 2001 to a forecasted 797 900 in 2021. Viewing the City's revenues on a per capita basis, then, the increase has been miniscule, from $1036.30 per person in 2001 to $1065.10 in 2021. Comparing these three approaches, expressed as a percent change from 2001–2021, the City's total revenues in nominal terms increased substantially — by 81.3 per cent — from 2001–2021, in real terms they increased much more modestly—by 28.7 per cent, and in real terms per capita they increased just barely—by 2.8 per cent.

The City has also changed who it collects money from over time. The long term property tax freeze before 2012 is reflected in property tax revenue falling from 59 per cent of the budget to 56 per cent between 2001 and 2021. However, this seeming reduction in residential homeowners' contribution to city revenues is made up for by the increase in frontage levies and other taxes. The most obvious change is the declining contribution of the business tax to city revenue, which has fallen from 9 per cent of the budget to 5 per cent.

Regulation fees (like photo enforcement) and sales of goods and services (like recreation and ambulance fees), combined, have increased from 9.3 per cent of the budget in 2001 to 10.2 per cent in 2021, and are projected to reach 11 per cent in 2022. While increasing some of these fees, like the amount charged for dumping in the landfill, make sense from a policy standpoint, others, like the fees charged for ambulance rides are more controversial.

Where the money goes has also changed since 2001. In 2021, 57 per cent of the budget went to three areas: police, public works, and fire & paramedics. The big change in city priorities during this period was its expansion of the police budget. In 2021, the police accounted for 27 per cent of total city spending, up dramatically from 18 per cent in 2001. The fire department has also increased, although less dramatically, from 13 per cent in 2001 to 18 per cent in 2021. Police and fire are projected to account for 27 and 18 percent, respectively, of the 2022 budget as well.

Overall, in 2021 the City's spending was greater than its revenues, leaving it in a slightly precarious financial situation for the 2022 budget (City of Winnipeg, 2021b). Strictly speaking, the City is not allowed to run a deficit. In practice, it can draw from a fund called the Financial Stabilization Reserve, which is a rainy day fund set aside for times of budgetary difficulty, to top up revenues. Transferring money from this fund to general revenue allows the budget to technically be balanced when it is really running a deficit. Obviously, the City cannot continuously draw from this fund without depleting it. The twin problems of COVID and, as Winnipegers will hatefully remember, an unusually high snowfall, has meant a very big draw on this fund in 2021. COVID was particularly hard on Winnipeg Transit, and reduced ridership has meant precipitous falls in revenue. The City exceeded its snow clearing budget by December 2021 by $11 million. Increases to the employer contribution to the police pension fund increased by $5 million compared to that which was anticipated in the 2021 budget. As a result, the City's rainy day fund was drawn down from $120 million at the beginning of 2021 to $75.1

million at the end (City of Winnipeg 2021). It shouldn't take an accounting wizard to see that drawing down about $45 million a year on a fund this size is unsustainable. It also places the City dangerously close to the minimum allowable size of the Fiscal Stabilization fund (6 percent of operating costs), of $72 million in 2022 (Samson 2022). The only silver lining to this cloud is that many of the budgetary problems are unlikely to continue in following years. Hopefully, the worst of COVID is over and it is possible that we won't get quite as much snow next year. However, the precarious state of the rainy day fund has left the City with very little wiggle room in its 2022 budget.

2022 City Budget

As has been the case in recent budgets, the 2022 city budget calls for a 2.33 per cent increase in property taxes. In order to get this increase the City adjusted the mill rate to 13.468. Of this 2.33 per cent, the City will allocate 2 per cent (or $12.6 million) to the tax-supported operating budget on a one-time basis, and the remaining 0.33 per cent to payments for the Southwest Rapid Transitway. Funnelling 2 percent of the increase into the general operating budget marks a change from previous years that acknowledges the City's precarious financial position. In the 2021 budget, for example, the entire 2.33 percent increase was earmarked for road renewal and the Southwest Rapid Transitway.

In 2022, the City is set to maintain the business tax rate at 4.84 per cent from 2020 and 2021, after seven consecutive years of decreases, dropping from 5.9 per cent in 2013 to 4.84 per cent in 2020. The budget also calls for an extremely slight increase in the annual rental value below which businesses will be exempt from the business tax to $44,220, up $20 from $44,200 in 2021, and up from $35,700 in 2020.

There are some charges and fees levied by the City that do have obvious policy goals. For example, charges for using the Brady Landfill encourage conservation and recycling while incentivizing people to decrease the amount they take to the landfill. The 2018 adopted budget increased the minimum tipping fee from $15.00 to $20.00 for solid waste delivered to the Brady Road landfill as well as a $15 to $20 rate increase for additional garbage bags (up to three) at the curbside. Charges for waste delivered to the Brady Road landfill increased by $1.00 to $6.00 per tonne (depending on what is being dumped). These utility operations run by the City are kept in a separate Utilities budget line. From 2018 to 2019, the total number of tonnes of solid waste disposed declined from 332,500 to 319,000 and from 2020 to 2021, increases in tipping fees increased revenues from solid waste disposal by $850,000. However, in its 2022 preliminary budget, the City predicts a decrease in revenues from solid waste disposal by $1.6 million from 2021 to 2022.

Parking charges also contain an important incentive effect. The Winnipeg Parking Authority charges for downtown and exchange district parking. This has two important effects. On one hand, it increases the cost of driving to these areas, creating an incentive to choose public or active transportation, and reduces the incentive to use parking where spaces are at a premium. On the other, it creates a cost differential between parking in these districts, where fees are levied, and other districts outside these areas, where fees are not charged. As a result, for those that drive, it is less expensive to travel outside these areas than to venture downtown and to the exchange where parking fees are charged. The 2021 adopted budget submitted a decrease of $0.75 per hour to on-street parking. This decrease showed up in the "other" category. The City intends to maintain these lower rates — $2.75 per hour in high-demand areas and $1.75 per hour in lower-demand areas — for 2022.

Winnipeg's revenues from regulation fees and sales of goods and services are both expected to increase for 2022, by $10.2 million and $950,000, respectively, compared to 2021. These two budget lines have suffered in recent years, due in large part to the effects of the COVID-19 pandemic. In 2022, however, the City predicts it will be able to boost revenues from regulation fees, most significantly from the elimination of pandemic adjustments to building, electrical and mechanical revenue, including the elimination of the patio fees waiver. This comprises $5.8 million of added revenue. It will generate an additional $3.8 million from increases to property and business tax penalties due to the 2021 waiver of penalties related to the pandemic. Regarding the sales of goods and services, the City expects to generate an additional $2.2 million compared to its 2021 budget by increasing Recreation Service revenue to partially compensate for the impact of the COVID-19 pandemic. On the flip side, it expects its revenue from ambulance fees to decline by $1.7 million. The City further estimates a $400,000 increase from an increase in Environmental Protection Services and a net increase in other goods and services, combined.

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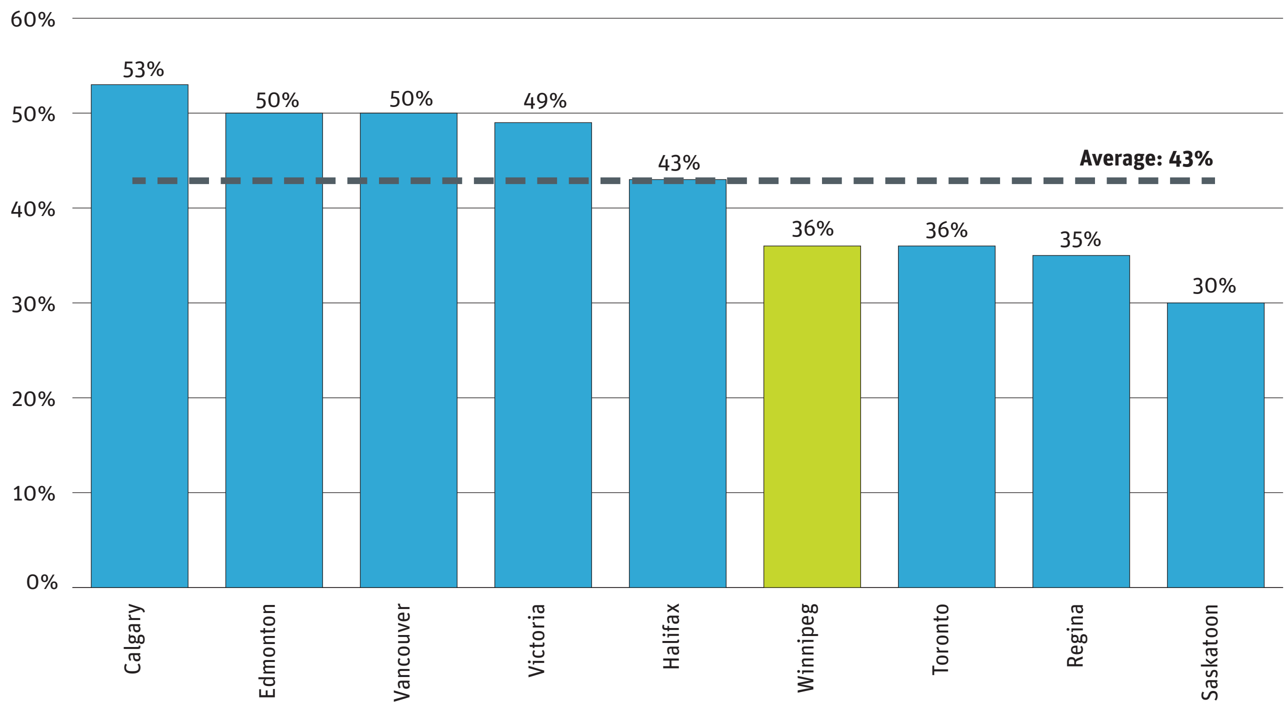
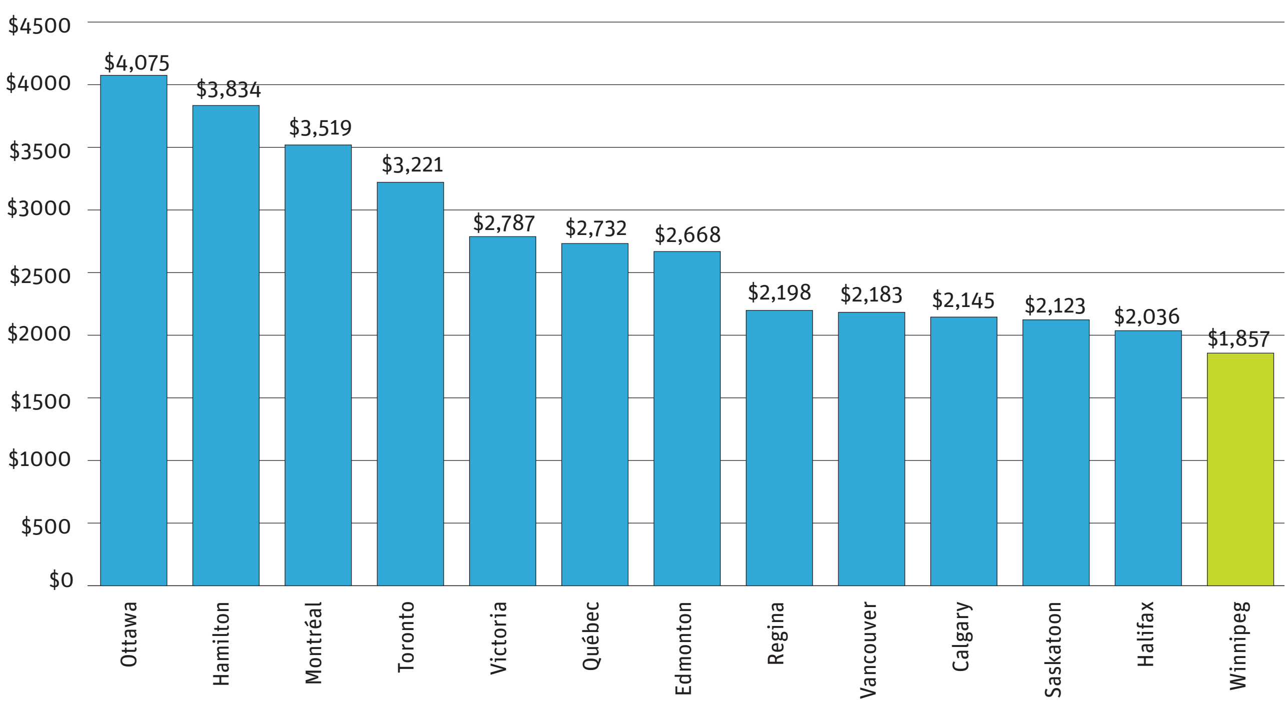
FIGURE 1 % of Municipal Tax Revenue Received from Non-Residential Properties, 2019



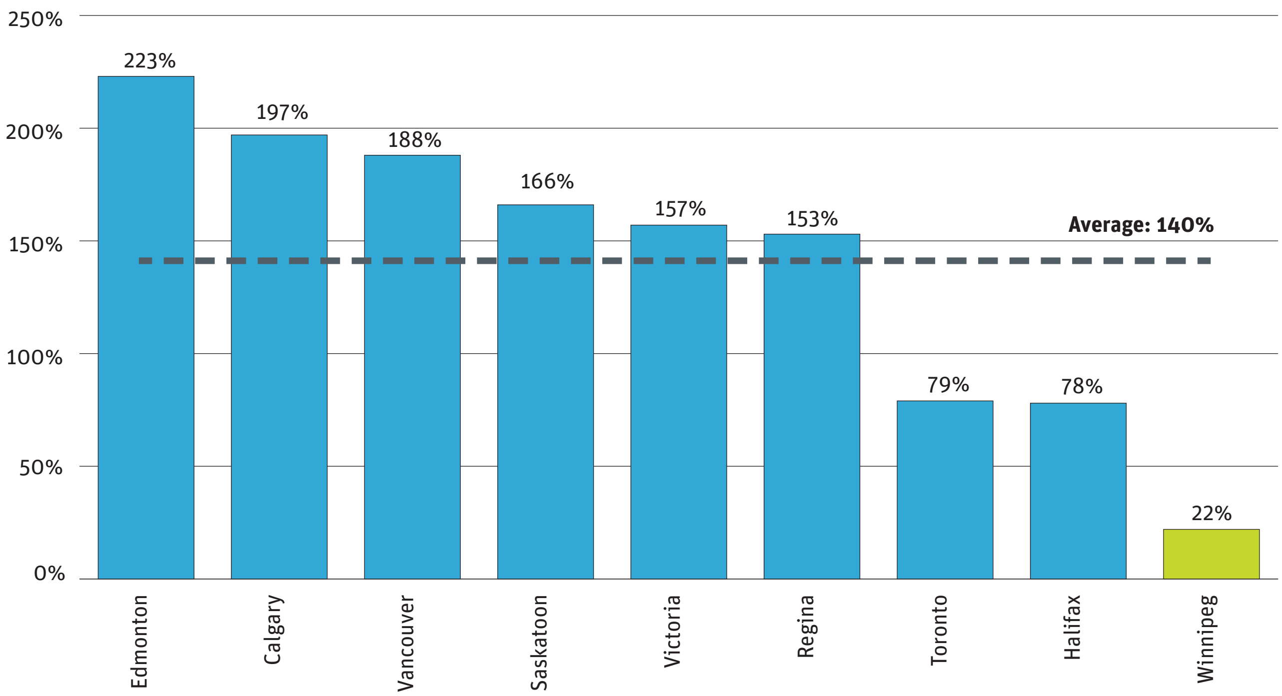
Source City of Winnipeg Community Trends and Performance Report Volume 1 for 2022 Budget.

FIGURE 2 Average Residential Municipal Property Tax Across Major Canadian Cities in 2021



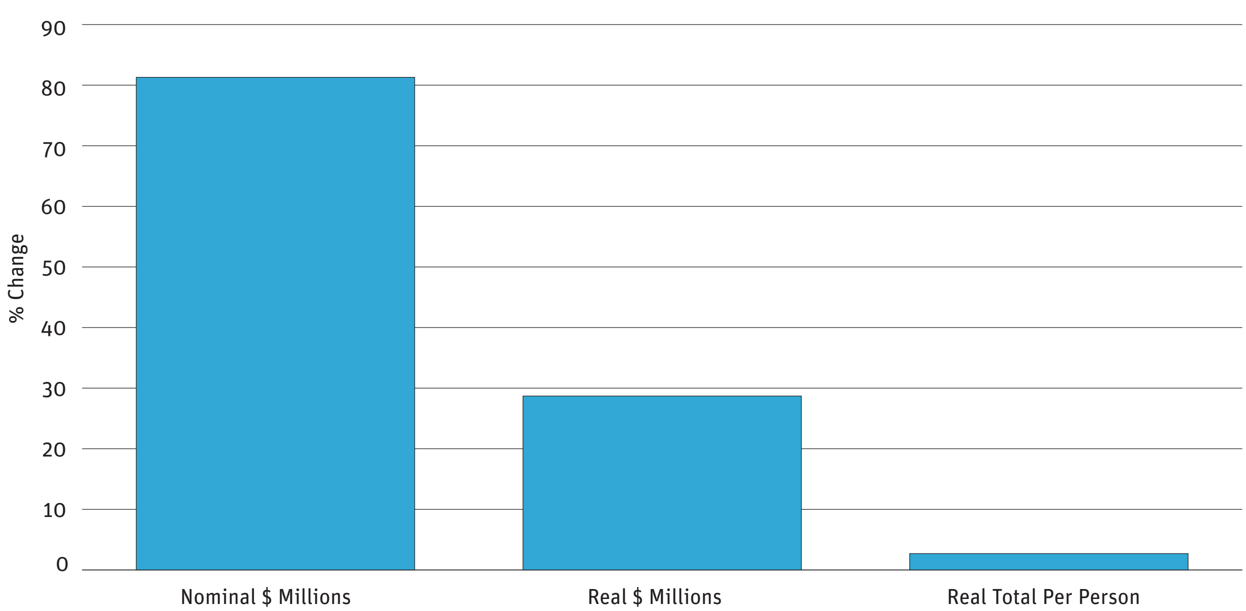
Source City of Winnipeg Community Trends and Performance Report Volume 1 for 2022 Budget.

FIGURE 3 % Increase in Average Homeowner's Municipal Tax Bill, 1998 to 2020



Source City of Winnipeg Community Trends and Performance Report Volume 1 for 2021 Budget.

FIGURE 4 % Change in City of Winnipeg Total Revenue 2001–2021



Source City of Winnipeg 2021 Preliminary Budget Operating and Capital Volume 2; Statistics Canada: Table 326-0021; Statistics Canada: Table 326-0020; Forecast from the City of Winnipeg.

Revenue Changes for 2022 AMB (all changes are in addition to the City's 2022 Proposed Budget)

Property Taxes

In addition to the City of Winnipeg's 2.33 percent increase, the AMB will increase property taxes by an additional 5 percent for a total of 7.33 percent. This increase goes a small way to reverse the long-term stagnation of real City revenues laid out in "where the money goes" section. The City's 2.33 percent increase is not even predicted to keep pace with inflation in 2022. If we take the average $1857 City property tax bill for 2021 (*Figure 2*), the total 7.33 per cent increase would increase property taxes by $136 over 2021 and $93 above the City's 2.33 per cent increase for 2022.

However, to alleviate the negative income effects of this tax increase on low-income homeowners, the AMB will refund the entire 2022 (City and AMB combined) residential property tax increase. In 2018, Statistics Canada estimated that in "Manitoba large urban centers" 5.3 percent of homeowners are in core housing need, about 10,000 households (Statistics Canada, 2020). Assuming that all of those are in Winnipeg, and that they pay the average property tax, refunding the full $136 increase for 10,000 households would cost $1.36 million.

- Property Tax Increase of 5 per cent: $34 million
- Property Tax Refund for Low Income Homeowners: $1.36 million
- Net Property Tax Revenue Change $32.64 million

Impact Fee

The 2014 AMB argued in favor of a growth fee with the following text: "In slow growth cities such as Winnipeg, new subdivisions are developed at the expense of existing neighbourhoods and infrastructure…A Growth Development Fee (GDC) that increases as new property construction is further away from the city center would encourage Winnipeggers to use the existing housing stock and build in existing neighbourhoods. The AMB recommends a $15,000 fee, which would amount to about 4 percent of a new $350,000 house, be applied to housing starts in new suburban residential developments in Winnipeg. It will not apply to the replacement or renovation of existing homes. It will also not apply to new units on vacant lots in existing developments or designated areas close to Winnipeg's urban centre that have not yet been developed" (Canadian Centre for Policy Alternatives Manitoba [CCPA MB], 2014, pp. 16–17).

In 2017, the City implemented an impact fee that applied to new residential developments in new and emerging communities. The initial charge was around $500 per 100 square feet ($54.73 per m^2 or $508 per 100 square feet) and rose to nearly $650 per 100 square feet by 2019 ($59.48 per m2 or $641 per 100 square feet). For a 1,900 square foot home, this fee amounted to just under $10,000 in 2017 and just over $12,000 in 2019 for a new home. From 2017 to 2020, the City collected almost $37 million in impact fees on the construction of more than 3,500 new homes in these areas. The City had been sliding this money into an Impact Fee Reserve Fund, from which it planned to fund infrastructure needs in the growth areas of the city. It had not yet spent the money collected, pending the decision of a court case on the constitutionality of the fee.

In July 2020, however, the Manitoba Court of Queen's Bench ruled that the impact fee "imposed a constitutionally invalid indirect tax and is not saved as a valid user fee or regulatory charge" (*Ladco Company Limited v. The City of Winnipeg*, 2020). The court decision ordered the City to immediately halt impact fee collection and refund the $37 million it had collected in fees and interest since 2017 from homebuilders, developers, and homeowners.

As previously noted, the City of Winnipeg Charter gives its council the powers to "establish fees, and the method of calculating and the terms of payment of fees" (The City of Winnipeg Charter Act, 2002, p. 143) in order to maintain and develop sustainable communities within the city and to promote the welfare of its citizens. It was on these grounds that the City justified passing a by-law to begin collecting impact fees in 2017. The fact that the court ruled that the impact fee was actually a tax, rather than a fee, and was therefore invalid, shows the limitations of the City to introduce new fees to generate revenue. An argument, then, could be made to either better define what constitutes a fee under the City charter, to better link the fee to the increased cost of development, or to expand the City's ability to collect taxes to include a tax on new residential developments in new and emerging communities.

The promising takeaway from the 2020 verdict was that it did not rule out the possibility of the City ever reintroducing an impact fee. In fact, the judge's ruling outlined that the City was fully within its right to charge for the outsized cost of suburban development, but that it did not properly link the impact fee to the cost of development in its initial iteration, hence why it was ruled unconstitutional. Therefore, the 2022 AMB would reintroduce the impact fee with the stipulation that revenue raised be earmarked for development costs.

A fee discouraging urban sprawl would help to recuperate some of the expenses associated with infrastructure development in new areas, while simultaneously incentivizing against continually building outward, rather than improving existing neighbourhoods and infrastructure closer to the city centre. Infrastructure costs are influenced by the form of the city. A US study examined the connection between infrastructure costs per capita and urban sprawl. They found that all of their measures of costs (which included not only total direct expenditure, but also subcategories like capital facilities, roadways, police protection, and education) were positively related to urban sprawl (Carruthers and Ulfarsson, 2003). New subdivisions are more costly for the City than infill housing and increased urban density, yet this is the development plan that has been followed.

The quality of life in the city is also affected. More sprawling cities are associated with more driving miles, greater vehicle emissions, less walking, more obesity and even greater hypertension (Ewing et al., 2003). Cities can take a number of actions to promote more liveable, “smart” urban areas. Zoning is perhaps the most obvious measure, but pricing incentives can also play an important role in changing the structure of the city. Taxation can be used to achieve important public policy objectives as well as a mechanism to generate much needed civic revenue.

From the time that the original impact fee was introduced in May 2017 to the time of the court ruling in July 2020, 21 percent of all new housing starts in the city took place in new and emerging communities that were charged the fee. In 2021, 5,700 new homes broke ground in Winnipeg (CMHC, 2022). If we assume that a similar number of new houses will begin construction in 2022, which seems a fairly reasonable assumption based on market expectations, and we assume the same proportion will be in new and emerging communities as was the case between 2017 and 2020, we can expect to charge an impact fee on 1,197 new homes. The AMB would set the new impact fee at $750 per 100 square feet, an increase from $650 in 2019. For a 1,900 square foot home which would sell for over $500,000 in communities such as Waverly West, Ridgewood South, or Sage Creek, this would amount to $14,250 (about 2.85 percent). This would generate $17.06 million, and would help to recuperate some of the expenses associated with infrastructure development in new areas, while simultaneously incentivizing against continually building outward, rather than improving existing neighbourhoods and infrastructure closer to the city centre.

Additional Revenue:

- Impact Fee: $17.06 million

Commuter Charge

One of the challenges facing Winnipeg is that it faces tax competition from municipalities that are within very easy commuting distance from the city, such as Headingley or East St. Paul. If people live in these communities and then commute into Winnipeg for work or leisure, they are, in fact, using Winnipeg infrastructure (most obviously roads) without paying for them. This free riding on city services allows outlying communities to charge lower taxes than is the case in Winnipeg. It also constrains the amount that Winnipeg can increase its property taxes because it has to worry about the incentive to construct new homes outside the perimeter.

The manner in which property taxes are currently structured creates a disincentive for new construction within the city limits. A study conducted by MNP found a substantial difference in property tax rates between the City of Winnipeg and its surrounding communities in the census metropolitan area (CMA) in 2011. For a house valued at $350,000 in 2016, a resident of Winnipeg could expect to pay $2,010.65, while property taxes on a home of the same value in the surrounding municipalities ranged from a low of $1,061.24 in Rosser to $1,477.35 in Springfield in the surrounding municipalities (Black, 2019, p. 2; MNP, 2016, p. 43). Further, Taylor Farm, a relatively new development in Headingley, boasts more recent comparisons of the property taxes paid by its residents and those living within city limits. For a house valued at $600,000 — fairly standard for a home in Taylor Farm — the property tax was approximately $6,900 in Winnipeg in 2017–18, compared to $5,200 in Headingley (Taylor Farm Blog, 2019).

The regions outside the city limits are growing more rapidly than the city itself. Between 2001 and 2021, the population of Winnipeg has increased by 25 per cent, while the CMA as a whole has grown by 27 per cent. Some of the commuter municipalities have grown much more rapidly. For example, from 2001 to 2016 Headingly grew by 88 per cent. Between 2016 and 2021, the bedroom communities of Niverville and West St. Paul were Manitoba's fastest growing municipalities, growing 29% and 25%

respectively over 5 years. In 2021, there were about 85,000 people living in the CMA but outside Winnipeg.

The City and the Province need to find some way to address the incentive problem caused by this cost differential. This could be done in a variety of ways that equalize property taxes between the municipalities in the CMA or attempt to solve the free rider problem caused by commuters.

One potential mechanism that might address this issue is a commuter charge. This could be administered in a variety of ways. Until 1999, New York had a commuter tax that was 0.45 per cent of the earnings of a suburbanite working in New York and was collected from their paycheque. Another option, which might discourage single vehicle commuting, might be to charge people outside the city per trip into the city. This could be structured in many ways, but one option could be to offer a certain number of free trips into the city in any given time period (perhaps one free trip per week) and then charge per trip after that.

Stockholm charges a toll to enter its city centre. It costs between 10 and 20 Swedish Krona (SEK), depending on the time of day, up to a maximum of 60 SEK (Eliasson, 2014, p. 7). The city uses an automatic camera identification system to check license plates and charge accordingly, which works quite seamlessly. The toll proved to be very successful in Stockholm. Traffic in the area with the congestion charge was reduced 22.1 per cent from 2005 to 2013 (Eliasson, 2014, p. 7). Further, the tax generates a good deal of revenue. In 2013, the municipal government in Stockholm generated 50 million SEK, with variable costs of 250 million SEK (Eliasson, 2014, p. 33). Eliasson also found that the negative effect on economic activity in the taxed zone was "very small or non-existent" (2014, p. 13).

London constructs their congestion charge a little bit differently. It imposes a fee of 10.50 pounds for driving in the designated zone during the hours of 7 am and 6 pm. To enforce this, the city uses the same system as the Swedes, except if a person has not bought the pass for that day, they will be ticketed to the amount of 160 pounds. From 2003–2013, the congestion charge "reduced traffic levels by 30 per cent" (De Payer, 2014). It also generated 200 million pounds in the 2013–14 fiscal year (De Payer, 2014).

Winnipeg could levy a commuter fee that would help pay for Winnipeg's road infrastructure on a beneficiary pays principle and help to mitigate the free riding/tax competition issue with surrounding municipalities. This could take one of two forms — either as a payroll charge, taken as a portion of an employee's income if they work inside the city but reside outside of it, or as a tolling system around the city, which would use license plate recognition software to charge non-Winnipeggers who commute into the city for work, per entry. A 2019 report commissioned by the CCPA Manitoba office and authored by Riley Black weighed the pros and cons of these two options. The appeal of a payroll charge lies primarily in its ease of application, but it does not do much to discourage lone vehicle commutes over options such as carpooling, bussing, or cycling into the city. Further, it has the potential to run into legislative roadblocks. On the other hand, a per-trip fee monitored by license plate recognition would be more costly to implement and continually operate, but would do a much better job of directly addressing the marginal costs of driving by charging commuters per trip, and might therefore incentivize them to consider other options or at least, force them to pay their fair share per commute (Black, 2019). It is for these reasons that the latter is preferable.

As noted above, about 85,000 people live in the Winnipeg CMA, but not within city limits. If we assume that even 50,000 of those 85,000 commute, plus at least 15,000 more that live around the CMA commute, using their own cars, into the city for work five days a week and once on the weekend, and we allow for one free trip per vehicle per week, that would result in around 325,000 chargeable trips per week, or 16.9 million trips per year. If we charged $3 each time a vehicle entered the perimeter from outside the city, whose license plate was registered to an address outside city limits, after allowing for one free trip per week, this would generate $50.7 million. A regular commuter making five chargeable trips per week at $3 per trip would pay a total of $780 per year. In Stockholm, the automatic camera identification system cost approximately 1,900 MSEK, or $250 million to implement, and costs 220 MSEK, or $29 million per year to operate (Eliasson, 2014, p. 35). Given that Winnipeg has around half of the entry points — or potential toll stations — that Stockholm's city centre does, we can assume the total start-up capital costs and yearly operational costs would also be cut in half, totaling around $125 million to initially implement and $14.5 million to operate annually. If we assume a 2.75 percent interest rate and a 20-year payment term, the capital costs associated with start-up for one year would be $8 million. Therefore, deducting annual capital and operational costs, the commuter charge would generate $28.2 million.

Additional Revenue:

- Commuter Fee: $28.2M

Parking Space Levy

Although lack of accessible parking is often seen as a deterrent, it is entirely possible that Winnipeg has too much parking, not too little. This is especially true of surface level (single story) suburban parking. Massive parking lots take up land that could be used for retail or housing. It makes active transportation more difficult by increasing the distance between destinations. Free parking in suburban malls acts as a disincentive to go downtown. Generally, it facilitates the use of more vehicles and the expensive infrastructure that must be developed to support them.

In 2017, Mexico City became a trailblazer for North American cities, when it changed its parking regulation policy to put a maximum on parking spaces at a new development as opposed to a minimum. The law states that there be a maximum of one parking space for every 30 square meters of business space (Kopf, 2011). Once a business reaches half of this maximum, they are required to pay a fee. There is also a maximum of three parking spaces per housing unit for multi-family dwellings. The laws are too new for there to be any meaningful results yet, but in the coming years, we will see the effect of these new parking regulations in Mexico City.

Outside Winnipeg's downtown and exchange, parking is largely governed by zoning. Generally, in Winnipeg, the zoning rules lay out parking minimums, presumably to allay nearby residents' concerns about on street parking congestion. The result is massive parking lots that blight the city. The AMB would place a parking space levy on all surface area parking spots that are not currently metered by the city. For new developments, it would also convert the current zoning regulations from a minimum number of parking spots to a maximum.

There are some noteworthy benefits to using a parking space levy. Because parking lots are property, the amount of the levy can easily be added to a business' property tax bill. This means there will be relatively low additional administrative costs to implement the tax (KPMG, 2016, p. 49). Another consideration is that the levy could incentivize businesses to convert existing parking spaces into productive office or retail space, increasing the value of the property. This means higher property tax revenue for the city.

Calculating the net revenue for a city-wide parking space levy is difficult. Unfortunately, no data exists for how many parking spots are in the entire city. Consequently, the following results are therefore quite broad and represent estimates with a high variance. However, there is some public data on which we can base a general estimate. Data exists on the number of offices and retail stores in the city, and the size of these establishments in square feet. These two categories of buildings would have the most parking spots.

According to the City's 2006 zoning by-law, the minimum parking requirements in Winnipeg are one parking spot for every 750 ft for offices and one spot for every 250 ft for retail stores. The minimum number of parking spaces provides a conservative estimate for the number of parking spots actually constructed. We can also use the data from Tables 1 and 2 on the different types of office and retail buildings. Since building size is given as a range, an average was chosen for each category.

Based on these numbers, there are around 92,200 retail and office parking spots in Winnipeg. If the parking lot levy were set at $182.5 per space per year ($27,375 on a 37,500 square foot retail space requiring 150 spots), it would generate approximately $17 million.

Additional Revenue:

- Parking Lot Levy: $17 million

Platform Fee

A much more recent challenge facing the City of Winnipeg — and indeed, most North American and European cities — is the emergence and fast-paced growth of the platform economy, sometimes referred to as the sharing economy. The platform economy describes a relatively new phenomenon, through which economic and social transactions are conducted via digital platforms. Some of the most notable examples include Airbnb, Vrbo, Uber, Lyft, SkipTheDishes, DoorDash, and Rover.

Many cities have found themselves in uncharted waters attempting to regulate or to manage the effects of various platforms. While some have opted not to apply any regulations whatsoever and welcome them with open arms, others have issued total bans on the operation of one or more platforms within their jurisdictions. Frankfurt, Budapest, Oregon, and Vancouver, to name a few, have all banned Uber at one point or another, with the service still unable to operate in all but Vancouver, who only welcomed it for the first time in January 2020 (Chan, 2021).

Meanwhile, in August 2021, Barcelona became the first city to issue an outright ban on short-term private-room rentals, which represents the core of Airbnb's original model, following similar attempts by Amsterdam and Vienna (Erdem, 2021). In between the two extremes of "entirely permissive" to “entirely restrictive” of the platform economy are a range of regulations and fees levied on the operators or users of the platforms.

While it would be entirely reasonable to target the entire platform economy, we can single out Airbnb, both because it poses some unique challenges and because it produces the most readily-available data. Airbnb creates problems for Winnipeg’s development prospects, since it converts the city’s available housing stock from long-term to short-term. It also creates more immediate disturbances for the neighbours and fellow tenants of Airbnb hosts. Therefore, it would be desirable to disincentivize the further proliferation of Airbnb — and other short-term rental platforms, like Vrbo — into the housing market, while simultaneously generating revenue off of listings that already exist.

Hotels and motels within the City of Winnipeg already pay a 5 per cent accommodations tax, but those listing properties on Airbnb — and on a much smaller scale, Vrbo — do not. The AMB, then, would introduce a 5 per cent platform fee on Airbnb and Vrbo listings to equalize the tax on other accommodations within the city. A number of other North American cities have already instituted similar fees on short-term rentals, including Austin, Chicago, Nashville, Denver, and New Orleans (Spicer, 2018). They all also charge operator fees, which serve as the base amount that Airbnb providers would have to pay per year, succeeded by a percentage or per night fee on each stay. The City of Winnipeg itself has recently said that it is considering regulating short-term rentals, such as those listed on Airbnb and Vrbo — including subjecting them to the 5 percent accommodation tax, requiring them to register with the City, and limiting the number of rentals on a specific block or in a specific unit — in light of concerns about fairness, noise in high-density areas, and crime (Kives, 2022). The AMB would charge an annual $50 operator fee, followed by the 5 per cent fee per stay. The purpose of the fee would be to target short-term rentals, and therefore anyone who rents out their unit or house to a single party for more than 30 consecutive days would be exempt.

According to AirDNA, which keeps track of the short-term vacation rental markets in cities all over the world, the average number of active rentals in Winnipeg listed on Airbnb, Vrbo, or both over the last year was 1,154. Of these, the average daily rate was $115 and the occupancy rate was 67 per cent. Therefore, if we were to charge a 5 per cent per night fee for 245 nights, in line with the occupancy rate, which would amount to $5.75 per listing per night or $1,409 per year on average, the platform fee would generate $1.625

million. Add to this $57,700 from the operator fee applied to all listings for a total of $1.68 million in added revenue from Airbnb and Vrbo listings.

Additional Revenue:

- Platform Fee on Airbnb and Vrbo Listings: $1.68 million

Summary of Revenue Changes ($ millions)

From Chapters

- Housing – Fines from by-law enforcement, recirculated into HRIR $0.5 million
- Housing – Opt-out fees for affordable housing replacement demolition/conversion replacement $1 million
- Surplus Food Charge $3.4 million
- Riparian Levy $6.79 million

From Revenue Section

- Property Tax $32.6 million
- Impact Fee $17 million
- Commuter Charge $28 million
- Parking Lot Levy $17 million
- Platform Fee $1.7 million

Total New Revenue AMB 2022 $107.99 million

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TABLE 1 Office Buildings, Average Sizes, and Total Spaces

Size in Square Ft.	Number of Office Buildings	Parking Spaces Required	Total Spaces
<5,000	415	3,000 / 750 = 4	1,600
5,000–15,000	340	9,750 / 750 = 13	4,420
15,000–30,000	106	22,500 / 750 = 30	3,180
>30,000	175	37,500 / 750 = 50	8,750
Total	**1,036**		**17,950**

Source City of Winnipeg Valuation of Income-Producing Properties 2020 General Assessment.

TABLE 2 Retail Stores, Average Sizes, and Total Spaces

Size in Square Ft.	Number of Retail Stores	Parking Spaces Required	Total Spaces
<5,000	1,178	3,000 / 250 = 12	14,136
5,000–15,000	504	9,750 / 250 = 39	19,656
15,000–30,000	150	22,500 / 250 = 90	13,500
>30,000	180	37,500 / 250 = 150	27,000
Total	**2,020**		**74,292**

Source City of Winnipeg Valuation of Income-Producing Properties 2020 General Assessment.

TABLE 3 City of Winnipeg Spending

	2021	% of budget	2022	% of budget	2022	% of budget
	Adopted		Projection		AMB	
Police	301.2	25.5	310.6	26.0	279.6	21.5
Public Works	153.2	13.0	154.1	12.9	169.0	13.0
Fire and Paramedic	210.8	17.9	215.0	18.0	215.0	16.5
Community Services	109.9	9.3	111.1	9.3	145.9	11.2
Planning Property and Development	42.4	3.6	43.2	3.6	50.5	3.9
Water and Waste	24.6	2.1	22.4	1.9	47.4	3.6
Contribution to Transit	104.3	8.8	97.6	8.2	154.5	11.9
Debt and Finance Charges	39.2	3.3	39.8	3.3	39.8	3.1
Other	194.7	16.5	200.8	16.8	200.8	15.4
Total	**1180.3**	**100.0**	**1194.6**	**100.0**	**1302.5**	**100.0**

Note The 2022 budget line for PPandD also includes Assets and management.
Note Spending is based on departmental operating expenditures and are net of capital related expenditures – pg 239–240 of the 2022 Preliminary Operating Budget.

TABLE 4 Revenue

	2021	% of budget	2022	% of budget	2022	% of budget
Nominal $ millions	Adopted		Preliminary		AMB	
Property Tax	658.7	55.8	682.2	57.1	715.0	54.9
Business Tax	57.9	4.9	57.0	4.8	57.0	4.4
Frontage Levy and other tax	90.3	7.6	92.4	7.7	167.8	12.9
Government Transfers	149.2	12.6	150.8	12.6	150.8	11.6
Regulations and Fees	69.3	5.9	79.5	6.7	79.5	6.1
Sales of Goods and Services	50.9	4.3	51.8	4.3	51.8	4.0
Interest	7.5	0.6	7.3	0.6	7.3	0.6
Transfers from other Funds	37.7	3.2	17.9	1.5	17.9	1.4
Utility Dividends	36	108.1	37.3	3.1	37.3	2.9
Other	23.3	2.0	18.4	1.5	18.4	1.4
Total	**1180.4**	**100.0**	**1194.6**	**100.0**	**1302.7**	**100.0**