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FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES - MANITOBA

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Tax Increment Financing and Social Enterprise: Promoting Equitable Community Revitalization in Winnipeg

Currently, Manitoba is one of only two provinces in Canada that utilizes Tax Increment Financing (TIF) as a means for financing community revitalization projects in municipalities, although it has a long history of use in the United States. In a TIF financing scheme, the base property tax of a targeted development property or district is frozen, and the anticipated increase in the property tax that is to result from redevelopment - that is, the increment - is used to finance the development project. The TIF scheme eventually expires, at which time the property taxes begin to flow to the municipality.

In 2009, Manitoba passed the Community Revitalization and Tax Increment Financing Act, largely to spur development in Winnipeg's downtown, and this past spring the City and Province announced a new partnership with CentreVenture, a Winnipeg downtown development corporation. The partnership will make TIF available for the development of what they termed a Sports, Hospitality and Entertainment District (SHED) in the 11 block area between the MTS Centre and the Winnipeg Convention Centre. Projects include the 20-storey ALT Hotel currently planned for construction on the northwest corner of Portage and Donald St. Its developer, Longboat Development Corporation, has a \$75 million redevelopment plan for the entire city block north of the MTS Centre.

Last fall, a long-established worker cooperative in Winnipeg's North End,

Neechi Foods Co-Op Ltd, asked the City of Winnipeg for an \$850,000 grant, also in the form of TIF, to help cover the remaining costs of their Community Business Complex on North Main Street, Neechi Commons. At first Neechi approached the province for provincial TIF funding, but the province opted instead to provide over \$2.6 million in infrastructure grants. The TIF grant Neechi is currently seeking is one the City alone has the authority to administer under the Municipal Act and City of Winnipeg Charter. As a social enterprise, Neechi Commons was designed to respond to the needs of the North End community; it will offer training and employment opportunities to inner city residents and youth, sell locally harvested and processed foods, and showcase the work and talents of Aboriginal and other inner-city artists and performers, among other things. Currently, a presentation to City Council is still pending with respect to the proposed grant.

This situation suggests that it is the private sector that is currently best poised to gain from provincial TIF in Winnipeg. It also raises questions of how to best fund social enterprises like Neechi, and whether provincial TIF funds designated for community revitalization purposes can be used as an effective means of financing social enterprise and bringing about more equitable community revitalization in Winnipeg. In answering these questions, there are some key aspects of TIF and

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TIF legislation in Manitoba that need to be questioned.

First, according to the Community Revitalization and Tax Increment Financing Act, to qualify for TIF developers do not seem to have to show that private funds are lacking in sufficient quantities to finance the redevelopment of the property in question, whereas in many cases in the U.S. developers have had to show this. This principle has been implemented in the U.S. through something known as the “but for” test, where it must be determined that redevelopment of a given property would not occur if not for TIF. Moreover, many cities in the U.S. have identified criteria that must be present before an area can be deemed a blighted neighbourhood and be eligible for TIF. In contrast, Manitoba’s Community Revitalization and Tax Increment Financing Act states that for a property to be designated a TIF property, there only needs to be a belief that a) significant improvements to the property are to occur; and b) it is in the public interest that these improvements be made. This criteria says nothing about financial or community need, and appears to favor private enterprise as many private developers would be able to fund greater improvements to a property than a social enterprise would. This suggests the very opposite of the “but for” principle. It would be useful to have more stringent criteria to determine whether the area in question is economically distressed, and such criteria should take into account the particular socio-economic conditions of the inner city. Projects that qualify for TIF should have to demonstrate, beyond just the generating of revenue, how they will benefit the surrounding community and the residents that live there.

There also needs to be more public consultation in the administration of TIF. Currently, the provincial minister responsible for implementing the Community Revitalization and Tax Increment Financing Act must meet with the municipal council and school board before designating a property as a TIF

property. This is not enough as it leaves community residents out of the process. Provisions should be made that would allow these residents a key role in the decision-making process, including how the TIF fund is to be used. The Manitoba government has stated that the tax revenue generated by downtown development projects will be put into streetscape improvements. Stronger public consultation mechanisms would give community residents a voice in determining how TIF funds could be best used to address the needs of the surrounding community, such as by investing it in affordable housing for the area’s lower-income residents.

The current legislation also needs to be changed to allow for the exemption of property taxes designated for schools as a source of TIF funds. The use of these taxes for development projects has been opposed by the Manitoba School Board Association and conflicts with equitable community revitalization as schools themselves are important players in building stronger communities, particularly in marginalized areas such as Winnipeg’s inner city.

If these issues are addressed, provincial TIF could be used to better support social enterprises in Winnipeg’s inner city and help achieve more equitable community revitalization in Winnipeg.

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