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Only developers know if tax plan will fix downtown

By: Staff Writer

21/06/2008 3:25 AM | [Comments \(0\)](#)

If you TIF it, they will come.

That's the theory behind a proposed new tax-financing plan the city and province hope will be the key to revitalizing a downtown that remains -- decades and millions of dollars later -- a struggling eyesore.

The NDP government tabled a bill quietly at the end of the legislative session two weeks ago that would allow for the creation of Tax Increment Financing (TIF) zones, parcels of land within the city where developers could receive upfront financial help with the added costs of building or renovating in neglected neighborhoods.

This is not a new idea. The province actually gave the city the green light to TIF zones in the early 2000s. However, then mayor Glen Murray, who had asked for the measure, never got around to bringing it to fruition. Now, Mayor Sam Katz has asked that the TIF model be revived and expanded.

TIF zones allow government to incent and to some extent direct development where it is needed most. A TIF zone starts by calculating the property tax base for a specific area; increased property and education taxes from reassessments on any additions or redevelopments in the TIF zone are diverted into a separate account. That money is used to pay for grants to developers and improvements to common infrastructure in the zone.

TIF zones do not freeze property taxes on new developments; the owners pay the full freight of the re-assessed value of their property but with the comfort of upfront money.

The NDP has only tabled enabling legislation to create TIF zones -- which was not passed before the summer vacation. A government spokeswoman said it is expected the legislation will be passed in the fall and a request for TIF zone proposals could be made before next spring.

Many of the finer details of how this is going to work have yet to be nailed down. Over the summer, the province will work with the city about how to identify TIF zones and what kind of projects will be eligible.

To date, we know a TIF zone can be a neighbourhood, a block or a single property. Eligible projects must include a residential component. And projects will be assessed on a case-by-case basis, although developers with proposals that feature multi-use design -- commercial and residential -- will receive more support.

Is this the final piece of the puzzle for downtown revitalization? It is not entirely clear what the private sector will make of the TIF zone model. We know that the constellation of existing grant and tax-incentive programs has not been enough to spark a rush to the core of the city. There are, however, signs that TIF zones could be effective if implemented in the right way.

There are several examples of projects in the downtown that have received TIF-like financing. The one most cited by the province is the development of Waterfront Drive.

The province and city kicked in millions of dollars to build the park and the hard infrastructure of the drive; this investment and upfront grants helped convince developers to build the condominiums that now line the drive.

Similar financing is provided by the city. CentreVenture, the city's downtown development agency, announced in

the spring it had levered \$40 million in private-sector development for a particularly neglected stretch of north Main Street between Logan Avenue and Higgins Avenue -- one of Winnipeg's most-neglected neighbourhoods. CentreVenture struck a deal with a private developer to build a \$30-million office building that will house staff of the Winnipeg Regional Health Authority. As part of the deal, the city gave the developer, Resolve Group, a \$500,000 grant. The city will recover the grant from increased taxes paid on a property that has gone from essentially worthless to, in theory, \$30 million.

That property currently generates \$8,000 a year in property taxes.

City mandarins have calculated the new building will generate more than \$500,000 a year in revenues.

From a financial point of view, it's hardly a risky strategy; the city and province are forgoing taxes they would not have collected without the development. However, that does not mean TIF zones are without concerns.

The city and province should be clear about the type of development that will qualify under TIF rules. Many developers would rather raze old buildings than renovate them. Recent laments about the destruction of heritage buildings on north Main Street to make way for the WRHA building should serve as a caution to TIF architects. This should not become a tool to cull heritage buildings.

So, if we TIF it, will they come? It appears only the city's developers know for sure.

dan.lett@freepress.mb.ca


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