Tax trio

Three ways to cut payments, boost downtown development

Bartley Kives

23/05/2009 1:00 AM | Comments: 1

IF you love downtown Winnipeg and look forward to the day when the Exchange District is completely revitalized, it’s easy to be frustrated by the glacial pace of change.

Let's face it: Public policy makers and private developers have been slow to take up the cause, despite all the progress that's been made over the past decade.

Without rehashing old arguments about what needs to be done and assigning blame for what has not transpired, here are three relatively simple things the city and province can do to open up the floodgates to more downtown residents -- and the entrepreneurs who will follow them:

1. Tear up the tax bills ... sort of

A decade ago, the city of Philadelphia decided to try something radical to convince developers to convert empty office buildings into condominiums and build new residential units in depressed areas.

Under a 10-year tax-abatement program that formally began in 2000, new Philly housing was taxed at the same rate as the previous, unimproved value of the properties in question. This became a powerful incentive for prospective condo-dwellers, who found they only had to pay a few hundred dollars a year in property taxes on condos they bought for about $500,000.

While more than 10,000 units were created under the program, the bulk of the new housing appeared in Center City, Philadelphia's 10-square-kilmometre downtown, which used to have a dangerous reputation.

Like downtown Winnipeg, Center City is unusually large and full of protected heritage buildings that are very expensive to renovate. But the tax-abatement program has brought about 11,000 new residents to the area, boosting the population from 79,000 to 90,0000 in nine years, according to figures published last week by the Wall Street Journal.

As a semi-regular visitor to Philly, I've seen the effects of the program firsthand. What used to be a 10-square-km architecture museum is now an extremely vibrant inner city, as hundreds of restaurants and small retailers have sprung up to serve the new residents.

Philadelphia's tax-abatement program has been so successful, there are now calls to end it or at least scale it back. But for the first nine years, the city experienced a downtown housing boom by simply giving up tax revenue it wouldn't even have collected otherwise.

2. Redirect new property taxes

In Canada, uttering the phrase "tax abatement" to a politician is a lot like forcing Reese's Pieces into the face of a kid with a severe peanut allergy. But Canadian lawmakers are not entirely averse to using property-tax incentives to revitalize blighted areas.

For a couple of years, Winnipeg has been experimenting with a modified version of what's commonly called tax-increment financing, or TIF programs, which are another means of trying to get developers to renovate old structures or build new ones.

While tax-abatement programs allow developers to avoid getting dinged with higher property taxes for the crime of fixing up a derelict building or building on an empty parking lot, TIFs still require them to pay the new taxes. But that revenue is either funnelled into street improvements or other beautification programs in the same depressed area -- or handed back to the developer to pursue other revitalization projects.

In 2007, Winnipeg brought in a mixed-use and multi-family tax-credit program that essentially functions like TIF in older neighbourhoods. But developers complained the municipal tax credits don't do enough to bridge the gap between the cost of renovating buildings and the income they could generate.

That's why the Manitoba government wants to sweeten the pot with provincial education-tax credits envisioned under its own TIF legislation, a work in progress for the past two years.

Once the legislation finally sees the light of day, Winnipeg might have a powerful revitalization tool. But the devil is in the details: the success of the program will depend on precisely how the new tax revenue will be redirected.

Already, the Tory Opposition has raised concerns about the creation of a new provincial slush fund.

3. Income-tax breaks

In Fargo, if you move into a condo or apartment in a designated portion of downtown, you get a break on your already modest North Dakota state property taxes.

This small gesture shows how serious our southern neighbours take inner-city revitalization, despite the fact the state legislature is located in Bismarck and the dominant political culture is anything but urbanist.

In far more centralized Manitoba, where seven out of every 12 citizens live in the provincial capital, you would think the Doer government could safely justify a symbolic credit for downtown residents, or at least residents of prospective TIF zones, such as the Exchange District.

According to the latest census, only 420 people lived in the Exchange in 2006. That means it wouldn't cost the province much to offer everyone in the neighbourhood -- newcomers as well as all the existing residents -- a $500 income-tax credit for say, five years.

When it comes to downtown revitalization, governments should stick to doing what they do best: writing legislation to allow small entrepreneurs to pick up the ball. I've said it before, but no megaproject can match the restorative power of block-by-block development.

bartley.kives@freepress.mb.ca