



NO TIFFS Over Tif

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In January I had the privilege of speaking at a conference in Calgary dealing with the remediation and reclamation of contaminated sites in Western Canada. One of the highlights (for me, anyway) was hearing about some of the exciting things that are happening in North America and, in particular, in Canada, in the redevelopment of former industrial properties, or “brownfields.”

Storm Cunningham (yes, that’s his real name), who is the CEO of Resolution Fund LLC out of Washington, DC, spoke about what it takes to make a successful brownfield redevelopment. He made the point that not all former industrial sites may be suitable for redevelopment. Sometimes the communities in which brownfields are located are no longer capable of attracting large industries or economic engines. Sometimes the historical conditions that gave these communities an economic advantage at the time the industries were originally developed simply no longer exist.

Some of the most successful redevelopment models that he showed involved the removal of industrial barriers to riverfront access and the reintroduction of green space in place of obsolete industries to make more attractive communities. He also had examples of communities with shrinking populations and a declining industrial base that took the bold step of razing parts of their cities and cutting-off services in order to manage costs. This is an example of “right-sizing” on a municipal level. The point was that not all municipalities have the same capacity for redevelopment.

Cunningham also gave examples of redevelopment projects that did not perform as expected. He talked about large downtown stadiums that never delivered the ongoing neighbourhood impacts

originally anticipated. He also talked about failures in the construction of large, architecturally significant edifices, on the theory “if you build it, they will come.” In many cases, no one came. Those municipalities were attempting to replicate the success of Bilbao, Spain in attracting investment through the construction of the magnificent Guggenheim Museum. Cunningham used former Winnipeg Mayor’s **Glenn Murray**’s description of these failed attempts as “irritable Bilbao syndrome.”

Closer to home, I also heard from **Chris Ollenberger**, CEO of the Calgary Municipal Land Corporation. CMLC is a corporation wholly-owned by the City of Calgary. Its role is to redevelop the

Calgary East Village, a grossly under-utilized former industrial area of Calgary and its skid-row. CMLC receives all of its funding through tax increment financing (TIF). To ensure that there is adequate base funding, the TIF zone was designed to include the new Bow Tower development, a large high-rise office building on land adjacent to the East Village.

Tax increment financing involves designating a TIF zone for redevelopment, setting the base assessment and then directing increases in real property taxes realized from the redevelopment in that zone to funding investments that will facilitate that redevelopment. In the case of CMLC, the TIF funding is being used



to clean up contaminated former industrial sites, realign major roads, rebuild drainage works and provide a river walk green space. CMLC has front-ended these development costs by going to market and borrowing on the anticipated future TIF revenue stream.

Interestingly, CMLC is wholly independent of the City of Calgary. It has no City administrators or elected officials on its board of directors or in its management, has no City employees and reports only twice annually to City Council. I wonder how many Manitoba municipalities would have the courage to remove the political component from the redevelopment process and be content to only handle the development approvals. Total project costs funded through TIF are expected to exceed \$255 million, all to provide a suitable base in the area for private development.

Both presenters made a distinction between TIF and what they called “fake

TIF.” They consider it to be “fake TIF” where TIF funds are being used to subsidize a private development or industry locating within the TIF zone. Neither saw this as having a sustainable economic or community benefit.

Manitoba municipalities have the ability to establish TIF zones under *The Municipal Act* and *The City of Winnipeg Charter*. The legislation allows them to redirect the municipal component of real property taxes.

On November 1, 2009, *The Community Revitalization Tax Increment Financing Act* came into force. This new act allows municipalities to approach the Province for the redirection of the school tax component of real property taxes within a TIF zone. The school taxes are replaced by a community revitalization levy imposed by the municipality in an amount equivalent to the school taxes that would have been paid. The school board’s assessment base is amended to exclude the TIF zone.

The community revitalization levy is collected by the municipality and paid to the Province’s community revitalization fund. Funds are advanced to the municipality pursuant to an agreement established with the Province. The municipality’s ability to use the funds is circumscribed by the agreement.

The proposed Centreport Canada inland port project has been touted as a potential beneficiary of this type of TIF program. Announcements have also suggested that low-income housing may be another potential target, although the jury is out as to whether that kind of a TIF program will be judged to be “fake” or “real.”

While the devil is in the details, there is no argument that the use of TIFs can give rise to some very creative redevelopment projects. The only limits are the imagination and foresight of the municipal and provincial leaders who have access to these tools. **L**

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