

**Manitoba School Boards Association
Presentation on Bill 4**

The Community Revitalization Tax Increment Financing Act

M A N I T O B A

School Boards
A S S O C I A T I O N



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Introduction

The Manitoba School Boards Association is a voluntary organization representing Manitoba's public school boards. Our mission is to enhance the work of locally elected school boards through leadership, advocacy and service, and to champion the cause of public education for all students in Manitoba.

School boards' primary responsibility is to ensure that all students receive the highest quality education possible in our public schools. However, boards also have a secondary responsibility: to work in partnership with families, communities and other organizations in ways that impact positively the overall well-being of children and youth. Because our students are affected by what happens both within their own schools and within their broader communities, we will be examining the potential impact of Bill 4, *The Community Revitalization Tax Increment Financing Act*, on both schools and communities.

At the outset, we would like to acknowledge that a half-century of experience with Tax Increment Financing, primarily in American jurisdictions and administered by municipal governments, has proven that the mechanism has the potential to address blight and brownfield development. When carefully structured and thoughtfully implemented, TIFs can stimulate private investment in underachieving economic areas, and thus contribute to the creation of new jobs, the resurgence of commercial activity, and an influx of new residents. Therefore, we believe some form of Tax Increment Financing may be an option that has the potential of benefiting communities throughout the province, and the people that call these communities home.

Bill 4 and its Impact on Schools and Communities

In spite of our acknowledgement of the potential benefits of Tax Increment Financing, we do have concerns about the mechanism as envisioned in Bill 4, *The Community Revitalization Tax Increment Financing Act*. Some of these concerns are based on the research findings of a 2005 City of Calgary study, *The U.S. Experience with Tax Increment Funding (TIF)*. Others arise out of our own experience working within a system designed to best meet the needs of our students. In all cases, our comments are

motivated by the underlying belief that by improving our schools and communities, we will improve the lives of our children, and that we must take full advantage of any opportunity we have to do so.

Bill 4 proposes an uncommon if not unique approach to Tax Increment Financing. Firstly, it singles out property taxes that are levied in support of education—the local special levy and the provincial Education Support Levy—as the source of community revitalization funds. Secondly, the Manitoba approach is also unusual in that Bill 4 does not simply enable municipalities to use Tax Increment Financing to help them in their community revitalization efforts, but rather anticipates an ongoing role for the province in the administrative and decision-making functions associated with TIF.

According to Calgary’s research summary on Tax Increment Funding, “TIF programs are lead by a municipality, or its redevelopment agency, but several overlapping taxing jurisdictions, such as a county or school district also participate in the program.” We believe that the government of Manitoba should reconsider Bill 4 in light of these findings when it comes to who administers TIF programs (the municipality or the province) and what taxing authorities contribute to TIF (education authorities only, or all municipal taxing authorities).

The stated purposes of the Community Revitalization Fund generally fall under the aegis of municipal government: to help revitalize communities and neighbourhoods, to encourage economic, social and cultural development, and to preserve heritage properties. Therefore, we believe it is appropriate that municipal governments, rather than the province, have decision-making authority when it comes to administering the fund.

Purposes relating to the mandate of school boards—public schools and education—are noticeably absent from Bill 4. Because we believe that community revitalization does benefit schools and students indirectly, we are not wholly opposed to some limited portion of education taxes being used for such purposes. What we are opposed to, however, is the use of school division revenue—education property taxes—as the sole source of community revitalization funding, as proposed in Bill 4.

As it is written, we believe that Bill 4 devalues the role that schools play in their communities. Schools are more than formal education sites; they are recreational facilities, family resource centres, health clinics, and more. This can be especially true in less affluent or remote locations where, due to a lack of other options, a school may be the *primary* site where such services are offered. By redirecting tax

revenue that could otherwise be used to improve school facilities and enhance school-based services, we run the risk of jeopardizing the ability of school boards to respond to community needs in these ways. Ironically, we may create a scenario whereby efforts aimed at community revitalization have a negative impact on one key aspect of community: public schools.

We therefore respectfully request that Bill 4 be amended so that the proposed community revitalization levy be imposed in lieu of *both* the education and municipal share of property taxes on the incremental assessed value of that property. Funds generated in such a manner would then be made available to municipalities for the purposes as outlined in Bill 4.

Our second area of concern has to do with certain details of Bill 4. We understand that a program such as Tax Increment Financing requires a great deal of flexibility in order to accommodate a wide range of circumstances, but we also believe that that flexibility must be balanced with clarity and transparency. To that end, we are making recommendations in the following areas.

Public involvement: Under Bill 4, the minister responsible for administering *The Community Revitalization Tax Increment Financing Act* must consult with the relevant municipal council and school board before recommending that a property be designated as a community revitalization property. While we appreciate and would want to retain this consultation mechanism, we do not believe that it goes far enough. In the three case studies examined by the City of Calgary, public involvement was identified as one of the keys to creating successful urban renewal projects that included a TIF component. In these cases, there were legislated requirements for public notices and meetings prior to the granting of a TIF designation. Public understanding of and support for the community revitalization process is essential if it is to succeed; to this end, we urge the government to amend Bill 4 to strengthen the public consultation provisions.

The “but for” test: As identified in the City of Calgary paper, one of the determining qualifications for Tax Increment Financing is the “but for” test—that is, determining that redevelopment will not occur in a specified area without Tax Increment Financing. Each of the three cities included in that study—Portland, Oregon, Denver, Colorado, and Chicago, Illinois—require evidence that private funds are not available in sufficient amounts to enable to redevelopment of the properties in question. By contrast, Section 4(1)(a) of Bill 4 states that one of the criteria for designating a property a community revitalization property is the belief that “significant improvements to the property are to occur.” This

wording suggests the very opposite of the “but for” test in that Tax Increment Financing does not appear to be a critical factor in whether or not the project proceeds. If that is not the intent of the legislation, we would strongly recommend that this section be revised. If, in fact, Section 4(1)(a) accurately reflects the intent, we would strongly recommend that the government reconsider its decision to exclude a “but for” test provision from this legislation.

Definitions of blight and brownfield: Section 15(2)(a-d) of Bill 4 outlines a number of purposes for which community revitalizations funds may be used: to revitalize communities and neighbourhoods, to encourage economic development, to enhance social and cultural development or to preserve heritage properties. What it doesn’t do, however, is clearly define the criteria which must be met in order for a property to receive a community revitalization designation in the first place. Decisions made in the jurisdictions included in the City of Calgary study are informed by a definition of “blighted area.” In each of the three cases case studies, anywhere from nine to fourteen criteria have been identified; a minimum number of these criteria must be present in order for an area to be deemed “blighted” and thus eligible for designation as a community revitalization property. This process provides both flexibility in that the definition is fluid, but also transparency in that the criteria have been codified. We strongly recommend that the government of Manitoba take a similar approach by including blight criteria relevant to the Manitoba context in Bill 4.

Designation period: Under Bill 4, a community revitalization property designation will last 25 years, unless a shorter period is prescribed in regulation, or the designation is revoked at an earlier date. We believe that 25 years—a full generation—is an unnecessarily long period for a community revitalization designation to last, and for authorities such as school boards to forgo a portion of revenue generated by these properties. We further believe that a ten year designation would be more appropriate, with a proviso that, upon review, the designation might be extended for an additional five years. Ten years is sufficient time for a community revitalization property to show significant improvement. A review process will bring to light those instances where such improvements may not have occurred, and provide a variety of options including letting the designation lapse or extending it for a further period while additional improvements take hold.

That concludes our presentation. The recommendations it contains have just one purpose: to strengthen Bill 4, *The Community Revitalization Tax Increment Financing Act*. By using carefully developed and thoughtfully implemented tools such as Tax Increment Funding, we can make our communities better places to live for all Manitobans, but most importantly, for our kids. Thank you.