Usefulness of Tax Increment Financing for the Provision of Affordable Housing in Neighbourhoods Redevelopment Planning

By

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A Practicum submitted to the Faculty of Graduate Studies of
The University of Manitoba
In partial fulfilment of the requirements for the degree of

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THE UNIVERSITY OF MANITOBA

FACULTY OF GRADUATE STUDIES
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ABSTRACT

In the wake of diminishing support for social housing and an ever increasing demand for suburban living with improved transit services, inner City neighbourhoods have been declining in Winnipeg.

In an effort to revitalize inner city neighbourhoods and create demand for housing, the City of Winnipeg and the Province of Manitoba are investing in the rehabilitation of inner city neighbourhoods. West Broadway is one such neighbourhoods, where location creates a higher demand for new smaller households and existing types of housing can supply a part of the accommodation in the future through construction, alterations and renovations of old houses.

Recently, provision has been created for the use of Tax Increment Financing (TIF) for community development financing, which can be made available for financially unfeasible renovation, alteration, maintenance and reconstruction for the purpose of revitalization of the area.

The practicum explores the feasibility of establishing a TIF for West Broadway. It investigates the financial feasibility of return of the renovation investments in the form of property taxes to the City and to the Province from West Broadway neighbourhood.

The study reveals that the returns in the form of incremental education and municipal taxes from 2000 to 2009 are not feasible against investments made from 2000 to 2005; however, a TIF project life of at least fifteen years is feasible. The financial feasibility, albeit depends on certain conditions. Based on the study, some conclusions were drawn and recommendations for the adoption of a TIF for the West Broadway are made for instituting a self financed TIF district for the West Broadway neighbourhood.

I. Introduction

Opening Remarks

The TIF[1] dependent investment in a neighbourhood's infrastructure and improvement of old houses causes property values in the neighbourhood to grow at a higher rate. Sustained higher property price growth achieves a level of real estate value that reasonably compensates for the construction, maintenance and services costs in the area. Redevelopment projects are financed from incremental property tax above the starting year property tax of the TIF designated area.

Tax increment financing is gaining consideration as an alternative public financing option for revitalization of older neighbourhoods in Canada, and Winnipeg is no exception. The City of Winnipeg is authorized to use TIF for encouraging investment and development[2] in designated areas and it supports neighbourhood revitalization through targeted private sector investments[3]. The City's Housing Policy identifies improvement of housing as the key focus of revitalization of the major improvement neighbourhoods. The *Plan Winnipeg 2020 Vision* encourages use of TIF[4] to facilitate affordable housing in its major improvement neighbourhoods.

TIF is a relatively new tool in Canada. It rapidly gained popularity in U.S. cities to promote commercial and industrial development. In some states, use of TIF is limited to the blighted city areas only, and in some other states, TIF cannot be used for residential developments. Research results are inconclusive about the potential effectiveness of the tool to secure provision of affordable housing in neighbourhood redevelopment.

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[1] Tax Increment Financing
[2] News Release-Manitoba Government June 20, 2002
[3] Plan Winnipeg 2020 Vision, Policy 1B-01 iv
[4] Plan Winnipeg 2020 Vision, Policy 1C-01 iv

However, some researchers suggest that under certain conditions TIF can secure provision of affordable housing in neighbourhood redevelopment.

In the era of declining federal involvement, municipalities are assuming an increasing role in neighbourhood redevelopment through the improvement of housing but reluctant to allocate financial responsibility.

Tax Increment Financing empowers a municipality by financing redevelopment projects from incremental property tax. The redevelopment financing method can be used for the economically unfeasible blighted neighbourhoods.

TIF empowers a municipality to give financial assistance to developers, and to grant loans or tax credits for improvement to homeowners in the area. It can also be used by the City to develop facilities or services that are seen as necessary.

A redevelopment plan with TIF raises confidence in the neighbourhood, which attracts investment and promotes economically feasible redevelopment. Extensive support for selected houses, neighbourhood planning and improvement of infrastructure raises the value of all properties in the area. The enhanced property price eventually changes non-profit and subsidized neighbourhood redevelopment housing service to for-profit real estate business. The TIF mechanism pays for the development projects removes blight from the neighbourhood and expands tax base of the city.

The inner city redevelopment policy of Winnipeg was adopted to improve housing as a strategy to promote development of the bighted neighbourhoods (City of Winnipeg, 2000)[5]. Winnipeg's housing policy implementation has divided the inner city redevelopment areas into housing improvement zones. Major improvement areas are the most significantly declined residential neighbourhoods.

[5] Draft Housing Implementation Framework, March 10, 2000

The Province of Manitoba has public housing, rent supplement, public non-profit housing, co-op housing, affordable housing initiative and shelter allowances to support affordable housing and the '*Neighbourhoods Alive'* Program to support revitalization of the neighbourhoods. The apparent success of these redevelopment programs are illustrated by rising property prices and the decline in population loss as shown in figure 3.1through figure 3.19 and table 3.1 through table 3.3 of chapter 3 in this practicum.

The Redevelopment planning with TIF combines investments and incentives to promote development in the TIF district. Promoting property price growth is the basis for attracting private investment, and incremental revenue is the most important element for the feasibility of TIF. TIF is a long-term project that is sensitive to the cost of acquisition and the time value of investments, revenues, degree of redevelopment, and the area of influence of the investment all of which affect the overall success of the TIF program.

Currently, housing and infrastructure construction, renewal and improvement costs are economically unfeasible in the major improvement areas[6] of Winnipeg. This has resulted in under investment in housing and infrastructure in those areas. For example, negative property price growth ceased after a decade of renewal and revitalization programs, which intensified after 1996 in the inner city neighbourhood of West Broadway. Nevertheless, it is not clear that the renewal program's apparent successes have been enough for a feasible property price growth level that would attract private investors to invest in the neighbourhood.

[6] "Areas that have experienced significant decline to the point where housing and neighborhood requires complete renewal" (City of Winnipeg, 1999)

TIF based neighbourhood redevelopment planning is, in the end, a paradigm shift from subsidized not for-profit housing to for-profit real estate business. During its TIF project lifetime, neighbourhood redevelopment has to accommodate changes in its elements from non-profit social housing to for-profit real estate business and ensure appropriate returns to ensure private investment in the area.

Research Problem

The research problem for the practicum, therefore, concerns *the usefulness of TIF to initiate redevelopment and secure provision of affordable housing in a major improvement neighbourhood in Winnipeg* (research topic); and to find out how effective *TIF initiated major improvement neighbourhood redevelopment planning can be* (research question); because it will *provide recommendations to adapt TIF initiated housing redevelopment of neighbourhood such as West Broadway in Winnipeg* (rationale of research).

A subset of this research problem comprises the following interconnected questions:

- How feasible would it have been if renewal programs were initiated through the TIF mechanism?
- How might TIF in future affect other incentive based affordable housing re-development programs in the area?
- What opportunities exist in the present neighbourhood development initiatives that can integrate with the tax increment-financing tool?

The premise of the practicum concerns the effect of the financing tool to initiate redevelopment of major improvement neighbourhoods.

Research Rationale

The Province of Manitoba, non-profit organizations, and the City of Winnipeg provide incentives to construct, renovate, reconstruct, and improve homes and other properties in the area. Most of these programs are supply side incentives to support homeowners and renters. TIF financed development is intended to shift the supply side incentives for development to demand side incentives for development in a specified area.

While success of TIF based redevelopment in raising property values is certain, provision of affordable housing in TIF based redevelopment planning is inconclusive. TIF is mostly used in U.S. cities where growth rates are higher than in Winnipeg. The real estate values in the inner cities are growing at a rate higher than before. West Broadway has the potential to attract real estate market growth through implementing a TIF development district,[7] if it can substantially raise property prices with an effective TIF program. The mix of very low priced blighted homes and nearly market priced homes and properties in the area indicate a likelihood of promoting redevelopment through TIF projects.

There are some slow but steady signs of sustainable real estate property value growth in the market region. The TIF method of redevelopment might well sit on the past public investments and property price growth in the inner City neighbourhoods. An evaluation of the public investment in the past in an imaginary TIF environment would assess the financial feasibility of TIF to initiate and bring sustainable growth in a neighbourhood in the future.

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[7] The geographic area under TIF based development project.

At present, TIF might cause public supported private wealth accumulation through market mechanisms. The enabling by-law and legislation might require curtailment of freedom of choice to protect public investment with private partnerships. The process of development would certainly increase the net stream of revenue to the city in the end but the impact of the process on the neighbourhood elements needs evaluation.

A mismatch of the property price growth and personal income growth of the area can negatively affect housing affordability of the area. The success of TIF based redevelopment is measured through the successful return of profitability to the real estate market and fetching an appropriate share of the City's tax burden.

There are no research results available on the impact of TIF on affordable housing in Winnipeg. Nor does there exist a prior example of supplementing price-based incentives with TIF for neighbourhood redevelopment in the City.

The popularity of the TIF is due to its independence from subsidies from governments, its tax and fiscal neutrality, and its freedom to spend revenue for development in the neighbourhood. It is a self-financing system and a very useful financing tool in the era of decreasing public financing for infrastructure and social housing. Success of TIF to promote growth and redevelopment can potentially be a breakthrough for neighbourhood redevelopment planning in Winnipeg.

Research Objectives

The prime objective is to evaluate the impact of redevelopment investment on the property tax increment in West Broadway. This practicum is a pre-evaluation of the applicability of TIF methods to bring change that will attract private investment in the neighbourhood through publicly subsidized based redevelopment financing. It is designed to evaluate the feasibility of a TIF supported development and outcomes of TIF initiated development in West Broadway and its impact on housing affordability, if the area was chosen to be designated as TIF redevelopment district.

Research Method

The study will seek insights into tax increment financing, establish the reason(s) for the popularity of TIF, elaborate the organizational environment of TIF,[8] and assess possible phenomenon of TIF in the West Broadway neighbourhood.

The research is a quantitative evaluation of the past public redevelopment investments made from 1993 to 2004, to reverse negative real estate price growth and to expand the tax base of the city. It will evaluate the feasibility of the investment in terms of incremental tax returns gained by the city during the period.

The first part of the research will contain a review of contemporary literature to conceptualize the organization of TIF and its phenomenon in neighbourhood redevelopment planning. It will review the life cycle of a TIF project, its initiation, adoption, financing, implementation, termination, and evaluation. The review will particularly focus on the following issues:

- Basic primer on TIF, elements that affects TIF's success to secure affordable housing
- Property Value Assessment and Tax administration in TIF;
- TIF practices in the U.S. cities
- TIF impact model
- Existing neighbourhood redevelopment planning in Winnipeg

[8] Causes, process of adoption, implementation, evaluation and termination of a TIF district

Analyze West Broadway neighbourhood profile data, redevelopment planning, and redevelopment incentives programs from the City and from the Province. Also includes real estate property value growth rate from real estate board, CMHC[9] and other sources. Property assessment and property tax growths in the neighbourhood. Establish the potential level of property price growth possible through a neighbourhood redevelopment plan in the future.

An analysis of the West Broadway neighbourhood housing elements and their present trend will be analyzed from Statistics Canada, City neighbourhood data, property assessment values, provincial affordable housing programs, and real estate board market data.

A Comparison of public investment made in the neighbourhood with the private investment generated in the housing sector of the neighbourhood. Examine the changes in the neighbourhood profile data.

The analysis will also seek present development constraint, available incentives, and state of real estate market in the area.

Based on quantitative analysis information and TIF experiences in U.S. cities, a TIF based property growth model using investment, housing affordability and property price growth will be developed for West Broadway. The study will also find out the sensitive elements that had critically affected the outcome of the TIF from the growth model.

[9] Canada Mortgage and Housing Corporation

Data and Information Sources

Table 1.1 Study Data, Information, and their Sources

Data & Information Required	Sources
Property Assessment, West Broadway Neighbourhood: 1991, 1995	Property Assessment Department, City Of Winnipeg
Property Assessment, West Broadway Neighbourhood: 1999, 2003	Property Assessment Department, City Of Winnipeg: Web Site
Housing Condition Indicators, Household Income and Rental Homes and home Ownership in West Broadway 1996, 2001	West Broad Way Development Corporation, Stats Canada
West Broadway Development Investments, 1991-2001	Manitoba Housing, CMHC & West Broadway Development Corporation
Zoning By-Law and Development Plan: West Broadway Area	Property Planning and Development, City of Winnipeg
Real Estate Market Growth Parameters	CMHC and Conference Board of Canada
Economic Development and Financial Market Information	Conference Board of Canada

Limitations

Instead of considering total impact of the TIF projects in the surrounding neighbourhood, the study considers the impact of the TIF project within West Broadway neighbourhoods only. Willingness to accept or reject the TIF initiated development plan is an important issue for adoption of the redevelopment financing method is considered as accepted by its residents. Therefore, assessments of any real results that may occur because of the implementation of such a plan are beyond scope of the study.

II. Tax Increment Financing Precedence

Introduction

The Tax Increment Financing method of development project financing, pays the project cost from incremental tax gained from the impact of the project on a particular area. The impact of development in a specified location raises property prices of a larger area and causes growth of taxes to a higher level than in the pre-TIF years. So, as the process suggests in this particular method of project financing, the investment cost is met from its own impact (New York City, 2002-September). In the era of ever decreasing federal support for housing and redevelopment (Orr, 2002), TIF has been gaining increasing popularity in U.S. for last twenty years (MECEP, 1997: 1).

Redevelopment of the declining inner cities has potential to attain positive growth rates in land real estate values--shifting the orientation of the local market from subsidized housing services to for profit real estate business through the TIF financing mechanism (McGreal, Berry, Liyod & McCarthy, 2002). A high growth rate can ensure the usefulness of TIF financing but might cause declining affordability, while a lower or negative rate of growth can place a financial burden on the taxpayers of the municipality.

TIF is a development-financing tool, initially started in California in 1951(Sullivan, Johnson & Soden, 2002: 3). The growing need for redevelopment, alongside ever-decreasing federal financial support and public opposition to new taxes and municipal tax limitations has created an environment for a widespread adoption of TIF in the U.S. primarily due to its self-financing nature (New York City, 2002: 2).

Though TIF legislation is similar throughout the U.S. and intended to augment a similar public purpose, its local level interpretation and implementation vary widely (IEDC, 2003: 3). The TIF dependent redevelopment planning generally includes authority over planning and management of the area. TIF districts require legal authority over public taxation and financing, special planning and management, accountability and responsibility for the development of the specified area within a municipality. Thus, Tax Increment Financing dependent planning requires legislation allowing formation of the district within the municipality with specific municipal reporting and accounting responsibilities.

Basics: The Tax Increment Financing Mechanism

TIF driven redevelopment is dependent on the growth of property prices in the district. To ensure appropriate growth, a special district is formed to control related aspects of property price growth during the project lifetime. The TIF revenue is earned from capturing all incremental property taxes under different levels of government as well as the taxes that would accrue in the area without the TIF intervention.

Total municipal tax revenue is equal to total property value multiplied by the municipal tax rate (mill rate, usually expressed per thousand dollars of assessed value).

If total assessed property value is Vx and the mill rate is Tx,

Then total tax revenue = Vx X Tx.

If a neighbourhood is designated as a TIF district, and if we assume that new TIF projects increased property value in the neighbourhood then the tax increment can be defined as follows: Tax Increment = Tx (Vx2-Vx1);

Where, Vx1= Initial assessed property value,

Vx2 = assessed Property Value after TIF project (s) have started.

The Tax Increment Rate is the rate of increase of property tax in a TIF district; therefore, TIF rate can be defined as:

Tax Increment Rate = Tx (Vx2-Vx1)/t. per year;

Where, 't' is the property assessment period in years after Sullivan, G. L., Johnson, S. A., and Soden, D. L. (2002:12):

Property taxes are payable in each year but property assessments are typically carried out every four years. Taxes are calculated on the property assessment values of the last reference year, so taxes always refer to the five year old price of a property.

Financing Structure: A special geographical area in a city is created to implement Tax Increment Financing options to bring changes in the area and cause planned assessed property value growth. The incremental tax revenue over the base year property tax is used to payback the investment.

Figure 1 below illustrates the basic financing structure of a Tax Increment Financing district. The base year is usually the starting year of the tax increment project, and the base year assessed property value (BYAV) is frozen at its present value until the termination of the scheme.

The BYAV is the property-assessed value for all the tax districts and the special taxation to collect revenue from the area. The TIF district's incremental part of the revenue is used for the reimbursement of the redevelopment cost. The other taxing district's rights on the increased taxes are frozen during the entire life of the TIF.

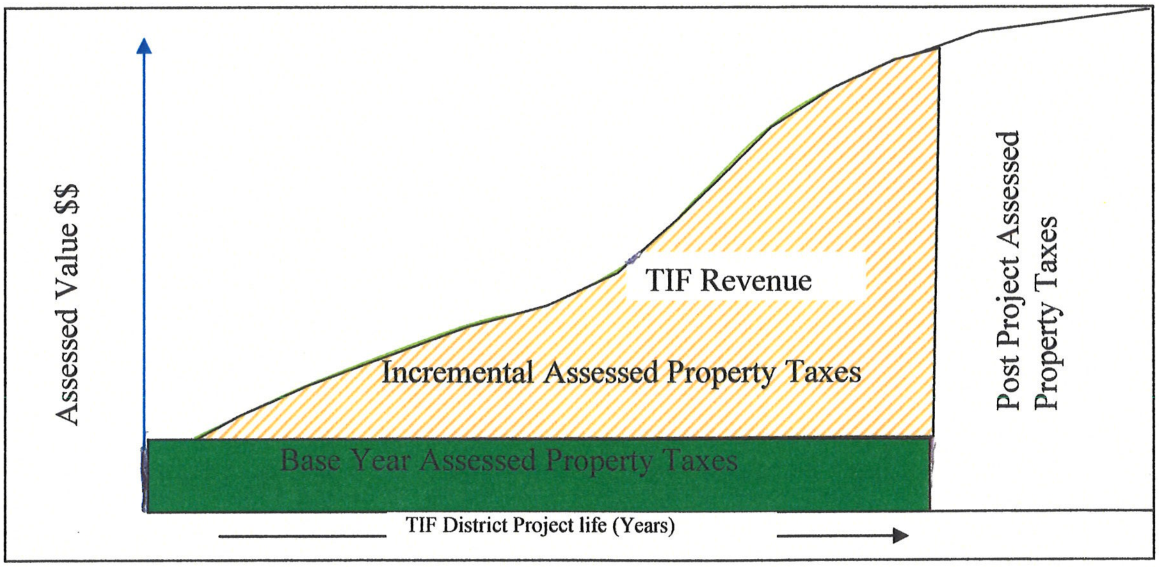

Figure 2.1: Assessed Property Value over a TIF project life
Sources: (Johnson, 2002: 5-6) and (Leavy, 2001: 7)

At the end of the project, the return of revenue to the taxation districts is comparatively high. The method is supposed to capture the total potential property price growth and raise the total tax collected from the area. Table 2.1 below provides an example of the flow of Tax Increment revenue of a TIF district.

Table 2.1: Tax Increment Financing Table (for details see Appendix-1)

Taxes	PA[1] @45%	Property Assessed Values[2]						
		Base Year	Base Year +4 (growth @1%/year)	Base Year + 8 (growth @2%/year)	Base Year+12 (growth@ 3%/year)	Base Year+16 (growth @4%/year)	Base Year+20 (growth @5%/year)	Post –TIF years
		$500000	$520000	$606528	$679311	$788001	$945601	$945601
Total Tax		$7875	$8190	$9553	$10699	$12411	$14893	$14893
Municipal	Mill Rate @30/1000	$6750	$6750	$6750	$6750	$6750	$6750	$11170
Education	Mill rate @5/1000	$1125	$1125	$1125	$1125	$1125	$1125	$3723
Tax Increment		0	$315	$1678	$2824	$4536	$7018	0

The Portioned Assessment (PA) is the part of the property value on which tax rates are applicable. During the project life period, the municipal tax and the education

[1] Portioned Assessed
[2] Simple Interest Rates Applied

levy are not allowed to grow. In the above example, the municipal taxes to the city and the education levy to the province remain at $6,750 and $1,125 respectively, and the tax increment amounts are diverted to the TIF district as its revenue. After termination of the project the yearly tax and the levy rises from $7,875 in the start to $14,893. The project in the example has raised property valuation from $500,000 to $945,601; municipal tax from $6,750 to $11,170 and school district tax from $1,125 to $3,723. Thus, the project helped to remove the blight and raising the tax base of taxation district of the city. When the property value was below the potential market rate, part of the tax burden of the area was shifted to the other part of the city. During the process, the tax burden remains partly on the rest of the city. At the end, the full share of the burden is duly shifted to the area. The efficiency of the investment is dependent on the length of the time required and the effectiveness of the redevelopment plan to raise the market value of the properties.

TIF Feasibility Models

The main elements of a TIF model are property price growth rate, time gap between acquisition and resale of the properties, improvement cost, development cost, rate of depreciation, time required for redevelopment to complete and overall feasibility of the project. The models are also used to explain the scenarios under which a local government would likely adopt a TIF method of financing.

The external factors that affect the model are discount rates over the project lifetime. Lawrence and Stephenson (1995: 126) divided the TIF project lifetime into two periods, the gestation period and the active period. They considered natural growth of property prices and the exogenous growth to estimate the total growth of the property prices. Combining both the gains, they estimated annual gains in property price for Des

Moines, Iowa, and by subtracting the subsidy valuation from the total gain, they calculated out the cash flows for the project. They have concluded that at the end of the TIF project, the taxpayers of the entire municipality of Des Moines are currently paying less in property tax due to successful revitalization efforts funded through the TIF system.

The TIF adoption incentive model by Dye and Sundberg, (1998) show that the very special nature of the financing method by default favours projects that generate more revenues. In the U.S., TIF provisions are generally applicable to the blighted areas, where the system is not always the best revenue generator.

The model considers impact on the property values and on the taxes with and without TIF projects. All property value and taxes are converted to the present value and TIF project costs are subtracted to find and sort out the equity issues. The positive cash flows from the project are considered as a measure of its viability. Efficiency of the project is estimated by subtracting opportunity costs of the investment from the project and overall return on the investment cost.

The adoption decision model of Man, (1999) is developed by taking two cities in perspective to examine the decision to adopt or reject TIF mechanism for development. Assess the effect of TIF on a set of factors affecting the decision related to different economic development programs and expected property value growths from the TIF projects.

Brueckner, (2001) used a mathematical model to compare the level of public goods between two neighbourhoods. He suggests that a TIF district is viable when designed along the lines of an existing neighbourhood with higher level of public goods, and when the target neighbourhood has slightly underprovided public goods. To be successful, a TIF district has to produce excessive stimulus to growth.

Donaghy, Elson & Knaap, 1999 used a general model to explain private capital investment and growth in property values in a case study in Urbana, Illinois, presenting the appropriate time for starting a TIF project. The model shows the most effective methods to manage funds to achieve results from a TIF project. It explains the dynamic relationships between real estate property value growth, private capital investment, revenue growth, housing renovation, and timing and location of the private investments in the TIF area.

Mcgreal, Liyod & McCarthy, 2002 compared demand and supply oriented urban regeneration models of Chicago, U.S. and Dublin, Ireland respectively. Chicago regeneration is TIF based, which is basically demand side support and Dublin regeneration consists of public regulation and subsidy based supports. They argued that TIF is a policy shift from command and control to private public partnership to create demand for redevelopment projects. Dublin model uses rate relief and capital allowances for renters and homeowners, while the Chicago model uses public investment in infrastructure to facilitate private investment. They have found that the TIF mechanism generally works under market pressure, and allows investors to choose projects for the security of their investments; however, it leads to displacement of residents.

Donaghy, Knaap & Singer, 2001 used another model to explain provision of affordable housing in TIF promoted redevelopment project in Urbana, Illinois. The model naturally depended on the assumption that TIF investments must cause property values in the district to raise, because revenue must be sufficient to cover the public investment in the TIF district. The model divides the TIF district into zones with different rates of growth and considers appreciation, depreciation and neighbourhood effects on the outcomes. The model also considers different growth scenarios and calculates the sensitivity of the TIF elements and success of the whole project.

The Dye Sundberg Model[3]

The Dye Sundberg (Dye & Sundberg, 1998) model considers *Net Present Value* (NPV) as the measure of financial viability if the TIF project. From a local government perspective, a project can be defined as efficiency enhancing if it has a positive net present value from the NPV formula. The NPV formula derived by them considers three variables the one time improvement in property values (A), the subsequent property value growth rate in the area ($g`_b$), and the cost of improvement.

The NPV of the TIF project is, however also affected by the variables like, municipal tax rate(t_x), school tax rate(t_s), interest rate(r) and the would be growth rate in the project area(g_b).

The formula for the model is:

$$NPV = \frac{t_x(fVx + AcfVx)}{(1+g'_b)(r - g'_b)} - \frac{t_x}{(r - g_b)} fV_x - \frac{t_x}{t_x + t_s} cfV_x$$

The model can be simplified as the net present value of all the investments made for the improvement and expected revenues from the property values of the area. The model does not subtract the tax revenue that would have been available without the TIF investments.

[3] Richard F. Dye and Jeffry O. Sundberg: Winter 1998

Precedents of TIF Promoted Redevelopment

Tax Increment Financing laws are legislated in 48 states in the U.S.. North Carolina and Delaware are the only states yet to authorize the use of TIF (New York City, 2002: 2). The basic elements of the TIF process are similar all across the U.S. It is regulated by the states but controlled and implemented by the local governments.

The TIF as reported by Johnson, (2002: part one 1) has successfully fulfilled its original intention through catalyzing private investments in blighted urban areas. In the last 50 years of its application, the cities and local governments have used the tool for residential as well as commercial and industrial projects.

Tax Increment Financing projects have been used for affordable housing, low-income housing, development of contaminated sites, schools, parking facilities, roads bridges, recreational facilities, water and wastewater treatment facilities and electric power plants. TIF projects have been in use for community redevelopment across wide variation of socio-economic characteristics demonstrating its applicability as an economic development tool.

Besides the successes of TIF projects there are concerns that raise caution to its usefulness as an effective development financing method. The tool is being critically viewed as an ineffective development method and a less transparent system of publicly supported development financing.

The study reports from consulting farms and law offices and journal articles from a wide variety of sources reflecting the U.S. experiences with TIF are arranged along the stages of a TIF a project life cycle to illustrate the organizational structure on which performance of TIF depends on.

TIF Project Life cycle

The TIF is initiated by enabling legislation to authorize use of federal power to collect and distribute public money. Under the U.S. federal system of government the activities under safety, health, morals and general welfare of the public belong to the state governments (NAR 2002: part three 1). The legislature delegates state power to the local governments through the enabling legislation.

The key elements of TIF statutes as described by Johnson (NAR 2002: part three 1) It contains following elements:

- Establishment of Authority
- Needs Assessment
- Redevelopment Planning
- Plan Adoption
- Project Finance
- Project Monitoring; and
- Plan Termination

Establishment of Authority by law

Enabling legislation must provide the local governments with sufficient authority to efficiently manage TIF districts, including power to plan and execute projects, give accountability to the authority, and ensure affordability of the costs and benefits to the public.

A NACo[4] (NACo, 2000: p 7-11) survey in 1999 shows that 33 states in the U.S. have granted their counties power to initiate TIF redevelopment districts. In some other

[4] National Association of Counties

cases cities and municipalities in the counties without TIF authority have allowed forming TIF districts but the functioning of such districts awaits special acts of the legislature to define their authority and responsibility in details (NACo, 2000: 7-9). The report also mentions that provisions concerning the judicious use of TIF limit their adoption across the states. This ensure public benefits through creating new jobs, retaining employment, eliminating blight, increasing property values, reducing poverty, facilitating economic self sufficiency and exercising a degree of care to reap the benefits from the TIF projects for the county as a whole.

General Characteristics of TIF Laws in the U.S.

The U.S. state statutes determine which unit of local government has the power to create TIF districts. The statutes also determine the degree of control over the tax increment revenues by each unit of the government. Generally, municipalities have the authority to form TIF district but "in some states, the municipality, county, state agency, or official, voter consent, or school district can grant the authority, request initiation or may have veto power" (Hynes, 1999: 3).

Many states authorize the use of TIF only to eliminate "blight" in a neighbourhood (New York City, 2002: 2). A municipality can only engage in redevelopment when it cannot be done by private enterprise alone. In some states, TIF can be used as a tool for general economic development, and in other states municipalities have a wide discretion to declare an area as blighted. In few states laws provide specific quantitative criteria to identify blighted areas for the use of TIF for the redevelopment.

A review of TIF law all across the U.S. (Johnson & Kriz, 2001) suggests that the requirement of a well planned balance among efficiency, equity and accountability in the process and stages has to be ascertained in the legislation to further the public interest through TIF projects.

In Chicago, the 1999 Reform Act quantitatively specified the conditions for blighted and conservation areas (DNAP, 2003: 50). The thirteen well-defined criteria are being used to declare a blighted or a conservation area, five of the thirteen criteria must be fulfilled by an area to qualify as blighted and three of the thirteen plus a 50% of the buildings older than 30 years to qualify as a conservation area.

Needs Assessment Regulations

The NAR[5] (NAR, 2002: p 2) observes that the use of TIF is limited to special areas by law, where public funding support is required for development. The needs assessment is the tool used for limiting its widespread use. TIF indirectly involves government taxing and spending powers, and the law emphasizes that its efforts must be limited to the public purposes only (NAR, 2002: part three 2). The needs assessment has to establish the relationship between the TIF and the public purpose as defined by constitutional and statutory standards. The needs assessments are done to explore and demonstrate that the proposed redevelopment area under TIF districting fits the cause and the legal requirements of the land.

The NAR observes that to meet standards and to establish public purpose requirements different mechanisms are used across the states (NAR, 2002). Some of

[5] National Association of Realtors

these mechanisms include the *"blight"* findings, enhancing *quality of life*, *'but for test*[6]*'*, redevelopment plans, conformance with existing plans, and *feasibility* tests.

The *"but for test"* answers the question whether the same type and level of investment would occur in the TIF district in the absence of the incentive. Typically, a blighted or a conservation area qualifies under "but for test" for a TIF district. There are eight states in the U.S. using a 'but for' clause to justify the use of TIF for redevelopment. In some states quantitative findings of blight are required, and for other states quantitative blight finding clause are not required. This is an example of how TIF can be used for different types of areas.

In addition to blight findings, some states require some form of feasibility study or cost benefit analysis.

Needs Assessment Experiences

Some states uses qualitative *"blight"* findings describing the standards that the local government authorities must meet before utilising the TIF. However, the blight findings standards lack definitions in some states, therefore causing some overuse of the technique in those states such as South Dakota, for example. A local governing authority in South Dakota cannot implement TIF unless it finds that at least twenty five percent of real property within the proposed TIF district is blighted area.

In the state of New Jersey, TIF is authorized for reducing congestion and enhancing mobility (NAR, 2002: part three: 2). New Jersey State statutes widened the use

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[6] The test is intended to ensure that TIF is only used in cases where desired development would not occur in the absence of government assistance (NAR, 2002, part three 2)

of TIF through allowing any project assisting redevelopment for improvement of the quality of life.

This learning experience has lead to the various different types of TIF uses in the states to satisfy needs assessment. The state of Illinois has eleven different classifications of TIF districts (Hynes, 1999: 2). It allows TIF projects for business districts, strip malls, housing, industries, industrial conservation, industrial blight, industrial labor surpluses, and many other situations creating what appears to be a rather arbitrary construction of blight findings.

Redevelopment Planning

TIF redevelopment planning has two basic elements: area development planning and project financing planning.

1. Neighbourhood Development Planning

   Generally, a consultant conducts an eligibility study and creates a development plan. The development Plan sets objectives, timetable and the forms of reporting to all stakeholders (NAR, 2002 part one: 7). The plan is expected to conform to the existing land use and or community development plan of the area. The degree of redevelopment planning as observed by Chapman 2001, citing case studies in California, depends on the prospect of future development in that area. He did not favour the blight removal concept as the basis for the degree of redevelopment, but instead looked for potential growth to support the development in the area.

2. Project Financing

There are two different ways to finance TIF projects: 1. TIF bonds financing, and 2. pay-as-you-go financing. In bond financing, the City borrows money through selling TIF bonds and pays it back with interest from the incremental property taxes generated in the TIF districts.

Pay-as-you-go is opposite to bonds in terms of its source, as it waits for the money from new taxes and spends that money on the redevelopment projects (Leavy, 2001: 9). Pay-as-you-go is the same as Credit Enhancement Agreement (CEA) as it is implemented in Maine, direct cash payments to the private partners are made from tax increments at any point of the project (MECEP, 1997: 11).

There is a third kind, a combination of bond and upfront financing as it is adopted in some projects in Indiana (Klacik, 2001). Johnson 2001 suggested some form of voter approval for the bond and other measures to secure the bonds in excess of prevailing practices.

Front funding is a term used by the NCBG to describe the most attractive project funding for developers under TIF Projects are paid for by the authority through borrowing and reimbursed from the tax increment revenues. Front funding is almost opposite to pay-as-you-go method of funding, and financing is in arranged by the TIF district authority through borrowing. The borrowing is either against bonds or from other development programs through proper coordination. Borrowing is totally dependent on community support for the program and its potential to produce direct benefit to the stakeholders. The NCBG explained three different kinds of financing through borrowing: Revenue bonds, Bank Notes and Housing Revenue Notes (Leavy, 2001: 78).

Leavy, (2001) noted some other form of indirect front funding or financing under TIF: coordinating with capital improvement program, coordinating with other development programs and through quick impact projects.

The TIF impact model for affordable housing for Urbana, Illinois used the principle of quick impact projects to produce healthy cash from prioritizing investment in the high growth area of the TIF district first.

Arvidson, Hossing & Cole (2001) investigation of TIF projects in Texas suggests that projects have established a feasible financing ratio of roughly 1:8 public to private financing ratio.

Donaghy, Elson, & Knaap (1999) suggests that greater return from the mechanism occurs when the property tax rate and the interest rate balance, and lesser return results when land cost and holding costs are high.

Mikesell 2001 observes that financing TIF from non property tax base in comparison to property tax is weaker as most of those taxes are less stable than property taxes to support a long term incremental financing obligation.

TIF Plan Adoption Regulations

Public hearing and other processes are a requirement to ensure public participation in the redevelopment process (NAR, 2002: part one 9-10). Most states require a hearing before plan adoption but few states require hearings on the creation of the district and the redevelopment plan. There is wide variation on the degree of public participation in the process.

The NAR evaluation report describes plan adoption as a procedural requirement, and the TIF statutes provide participatory mechanisms to facilitate and ensure public participation. In most states, that is ensured through public hearings to include public opinions and concerns (NAR 2002: part three 4).

If enabling legislation is on the statutes after adopting the redevelopment plan, financing and administration organizations are established and development agreements between public and private participants are finalized to start implementation of the projects (NAR, 2002: part one 9-12).

In Chicago, the use of eminent domain[7] gives the municipality power to impose the planner's vision on the community and can indirectly force the community to accept decision through directing TIF finance and the TIF blanket provides the protection of public purpose (DNAP, 2003: 26).

In Illinois, public access to plan adoption is sought after the redevelopment plan is prepared for a TIF district and a single hearing with reasonable detail fulfils the legal requirements for public participation (DNAP, 2003: 24).

Gibson 2003: 325, citing Weibull's duration model explained that the location of TIF districts is not the most severely disadvantaged but neighbourhoods that are basically competing for higher growth in their communities. Evaluation of TIF adoption regulations by Man 1999 reveals that fiscal pressure caused by intergovernmental aid, neighbourings' adoption of TIF, voter assumption of tax shares, and perception created to the voters about TIF influences adoption of TIF by a community. An examination of 235 municipalities with probit models (Dye& Merriman, 2000) suggests that the rate of property tax has influence on adoption. It also reveals that pre-adoption growth rate;

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[7] .

fiscal structure, municipality type and location of the TIF affect a municipality's decision to adopt TIF.

TIF Project Monitoring Regulations

According to the NAR evaluation (NAR, 2002: part three), TIF projects are long-term projects in duration. In the beginning, a project may appear on course and satisfying its entire obligation under statutory requirements. In its lifetime a project course may change, or a TIF project may not be necessary any longer. As TIF projects uses delegated public taxing and spending powers, it must meet public purpose requirements (NAR, 2002 part three: 5). However, projects have to satisfy a need assessment that might not appear sufficient to satisfy public interest during their implementation. To ensure that TIF projects remain relevant and stay on target, many states require stringent reporting systems.

Project Evaluation and Termination

TIF projects are intended for the redevelopment of a distressed area of a city, therefore, they are generally time limited (NAR, 2002: part three 5) and affected by time value of money. Time limitation is intended to prevent overuse of the tool and incorporation of natural growth into the TIF process. The planning period is 20 to 30 years. The plan period depends on the rate of growth and the accumulated growth required for the housing services offered in the neighbourhood to achieve the market prices.

Generally TIF statutes specify the distinct period within which the objective of the TIF district has to be satisfied. However, there are some states where there is flexibility to allow the uncertainty of the achievement of the objective in the limited time frame, so some states allow TIF districts to operate until the governing authority terminates it by an ordinance or a resolution. NACo research across the U.S. suggested a TIF project life of twenty-three years (NACo, 2000: 12).

Expected versus actual results from the district projects are evaluated as per set objectives and rules in the redevelopment plan (NAR, 2002: part one 12-13). A public assessment of the redevelopment authority is performed. The maximum time limit generally set to 20 years to 30 years by statutes in most of the states. If debts are outstanding, a TIF district may continue to exist and collect revenue provided it receives an extension from the relevant authority.

Lawrence and Stephenson (1995: 107-108) find that the flexibility of the termination period introduces chance of abuse of the TIF Laws. They have mentioned from their Iowa case studies that three such chances might occur. TIF can be managed in such a way that it never expires through creating new projects, issuing new bonds in the districts in an on going basis. The process skips releasing the tax base to the other jurisdictions, which is contrary to the basic TIF principles. Another type of abuse might happen through partial return of the excess increment. Since the partial amount is not fixed, it would affect other taxation jurisdictions. The third incidence of abuse can happen through a lengthy gestation period. As long as a bond is not issued, no investment is made, so a sponsor cannot claim any incremental tax until investment has started to influence the revenue stream of the area.

TIF Housing Redevelopment

TIF depends on the overall growth of the value of property in the TIF district. In a residential TIF district this can happen in three different ways: new housing on a vacant land, improvements on the properties and enhanced values of existing houses in the district as part of general growth (Leavy, 2001: 31) .

Fall Creek is a successful housing tax increment-financing project in Indiana (IEDC, 2003: 26). At the start growth was slow and later it developed rapidly through land assembly, infrastructure development, creation of new parks, renewed service quality, newer service outlets, and trail extensions. TIF funding has resulted in tremendous growth in mortgage approvals, and new commercial development in the area is also expected. The appraised value of land increased from $3000-$4000 in the year 1998-99 to $11000 to $14000 per lot in the year 2003. The financing structure was such that even with one-third of the homes under tax abatement the area was generating adequate revenue to pay its debt.

The process works under accelerated growth rate that can also accelerate the process of gentrification, high end housing construction can drive property taxes up, but the new growth may lead to the abandonment of the affordable housing (Leavy, 2001: 31) on the contrary to the objective..

The Neighbourhood Capital Budget Group mentions that recent change in state laws in Illinois laid some regulations and process to support affordable housing construction in a TIF district and can offer some protection to residents and renters against displacement under TIF redevelopment programs (NCBG, 2001: 31).

There are 21 residential TIF projects in Chicago and some 3,334 units of housing constructed as components of those projects of which 1,754 units listed in those projects as affordable residential units (Leavy, 2001: 31).

State of Illinois rules did not permit payment of construction costs from TIF funds until TIF law reform in August 1999 (Leavy, 2001: 32). The law reform made it easier to use TIF program money to build affordable housing[8]. Subsidies were originally provided for land acquisition, environmental clean up, infrastructure improvements, building demolition, financing and interest payments, or job training programs not for construction of houses. Now TIF programs in Illinois can pay up to 50% of residential construction costs and 75% of the interest write off from the TIF funds.

The Neighbourhood Investment Program (NIP) in Chicago provides benefits to existing homeowners and renters through grants for exterior repairs and safety upgrades (Leavy, 2001: 32). Low to moderate-income households families get grants under this program. A single family is eligible for grants up to $10,000 and a multi-unit building can get up to $50,000 depending on the number of units.

Chicago Homeowners Assistance Program (CHAP) provides reduced interest loans (at 3% in 2001) to pay part of the raised property tax bills. Homeowners do not have to pay back the loans until they sell their home (NCBG, 2001: 33). The expectation is that the property would be sold at a higher price and the part of the increase would pay back the loan.

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[8] Rental Housing: Units should be affordable to persons earning no more than 80% of the area median income. For-Sale Housing: Units should be affordable to persons earning no more than 120% of the area median income (NCBG, 2001: 32); A generally; accepted rule is that an affordable rent can be no more than 30% of a household's income (NCBG, 2001: 32).

TIF and Small Business

According to NCBG[9] small businesses find it difficult to operate in a TIF district as it explained by NCBG, citing examples of Chicago TIF districts (2001: 40).

Each redevelopment agreement in a TIF is discussed with a developer first, and then passed by the development commission, so generally it protects the big businesses. The city wants a higher return from its investments and this favours subsidies to a limited number of big businesses than to many small business enterprises causing direct displacement of the small businesses.

Development on vacant lots causes rapid growth in tax revenue, so the city favours competitive new development in the area rather than rehabilitating small businesses. The TIF authority let the city assemble smaller parcels of land into larger properties, rather than selling that land to private developers. This effort also favours large projects with competitors of small business enterprises in the area and causes indirect displacement and new competition.

The City of Chicago until 2003 was developing a small business investment fund to support small business to be more competitive and improvement to their businesses.

TIF and Infrastructure Redevelopment

Capital Improvement enhances quality of life in a community. Landscaping, sidewalk repairs, lighting improvements etc. are necessary to revitalize a neighbourhood (Leavy, 2001: p 41). Public works programs are part of a of city's ongoing capital improvement program. The TIF funds are to supplement not to substitute for the general capital improvement programs in the neighbourhood.

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[9] Neighbourhood Community Budget Group

TIF revenue, which is principally used for infrastructure development purposes, made some of the largest infrastructure investments possible through funding in Indiana (IEDC, 2003: 18).

TIF and School Districts

As property tax remains frozen for the entire life of the TIF project, like other tax jurisdiction school administration receive the same amount of revenue from the area as in the beginning of the project. There are problems due to inflation, lost revenues and rising costs for the schools. The enhanced growth from development exerts extra pressure on the system creating strain on its resources. In most cases, the school districts wait for the accelerated return at the end of the TIF period. In The U.S., some states require that school districts should be exempted from full or partial freezing of its revenues (NAR, 2002: 8).

A study of tax increment financing in Indiana observes that TIF is not generally a tax drain for most school districts as it appears (Lehnan & Johnson, 2001: 144). The total revenues from properties after successful completion of the projects are higher than original levels of forgone revenues

Limitations of TIF

Tax Increment Financing is a tool that relies on the increase of property values. The incremental growth of property tax collects requires to paying for the development costs. However, it is not purely an economic development tool. The redevelopment plan uses public power to subsidize a development project that raises the property values and create an environment for private market profitability.

An analysis of Tax Increment Financing by the Development Neighbourhood Alternatives Project shows its inability to be consistent in creating jobs, attracting new business, and establishing fairness and justice in the TIF districts but it raises property value and expands the tax base of the municipality (DNAP, 2003).

A similar study by the Neighbourhood Capital Budget Group (NCBG, 2002) study reveals a number of concerns about TIF as development tool, especially if it overused in a city.

The above examples and studies were from Chicago experiences, where TIF has been taken as the only game for development in the town and therefore 91 of the TIF districts were created in the year 1999 alone. In total 424 TIF, districts were created during 1990s.

The study reports acknowledge that the "actual effects of TIF are unclear" (DNAP, 2003: 5) and success of a TIF district means different things to different people. The report (DNAP, 2003) described the effort as a "negative sum game (DNAP, 2003: 29)" to prop up real estate prices through indirect public subsidy. The effects of TIF are measured in terms of Equalized Assessed Value (EAV), changes in number of business establishments, changes in number of jobs, changes in number of property sales, and changes of housing property sales prices etc.

Potential Problems with TIF

TIF has gained popularity as an effective and flexible financing option in different development situations, yet there are some problems encountered in TIF projects in some municipalities. Since TIF is based on the growth in property values any incidents (disaster or accident), policy changes, practices and market trends can seriously affect the project as it happened in Indiana due to taxing policy change (IEDC, 2003).

A TIF district has generally one source of revenue and risk of default is high if incremental revenue falls short of projections (New York City, 2003: 4). A recession, as it happened in St. Petersburg, Florida, may cause such a deficit. A policy decision in the state of Minnesota caused 37% in lost tax increment, and a change in property codes in California caused a drop in tax increment.

Growth in the TIF can cause demand for extra services in the neighbourhood and due to the frozen tax base neighbouring communities in the city may face extra taxes for the services in the TIF district.

The TIF district causes fragmentations of the tax base as it retains its growth of tax in its own area.

The TIF district may simply relocate or displace development from one area of the city to another to enjoy subsidies available in the TIF districts only.

Use of TIF as a Development Tool

The new model of economic development encourages accumulation of and dependence on local resources rather than federal revenue supported development in the counties, cities and municipalities (IEDC, 2003: 2). The pressure felt on public facility and infrastructure financing resources to compete for private investments in the urban areas led to the innovation of tax increment financing. The sign of tax base expansion and improvement in the blighted areas induced steady growth of tax increment financing project in the U.S.

In twelve years TIF project in Indiana grew from 12 in 1990 to 96 in 2002 (IEDC, 2003: 12-14). One new TIF in each month, in 1989 it was in twelve counties by 2002, and had been adopted in fifty-eight counties raising total assessed value from US $69 million to US $4 billion.

All across Illinois, 38 TIF districts were created between 1977 and 1986 (State of Illinois, 1999: 3-6). After changing laws to capture local and state sales taxes by the TIF districts, 107 new TIF districts were created in 1987 alone. The accumulation of new revenue extended the definition of blight, infill development and reuse of contaminated industrial sites by TIF districts allowed dramatic growth from 20 to 30 TIF until mid 1990s, and by 1999, there were 610 TIF districts in Illinois. In Chicago, more than half of the 101 TIF districts were established between 1988 and 2001. Leavy (2001) observes that 35% of all the TIF properties are located in the downtown and its surrounding areas (Leavy, 2001: 27).

Until 1990, there were only 20 states in U.S. allowing formation of TIF districts, by 1989 it grew to 34 districts and by the end of 1993, 44 states had authorized use of TIF districts for development by the local governments (MECEP, 1997: 2).

Problems Encountered with TIF

With apparent success, the number of TIF districts has grown quickly (Hynes, 1999: 6) while creating some problems too. Municipalities have used different and expanded definitions of blight to create TIF districts to explore public funds for development. Increasingly more areas have fallen under tax freezing due to the TIF. The TIF district's natural growth of the taxation districts such as school, fire, library etc. encountered shortages of resources to meet the demands after expected growth from TIF districts and frozen taxes. They were to wait a long time to expand services to meet growing demand from ensuing development in the area.

The research pointed to the basic attributes of TIF in Chicago as the causes of "negative-sum games". The flexibility of the 'but for' clause and freedom of explanation of the clause by elected officials created chances for declaring blighted area at the will of the proponents (DNAP, 2003: 21-33). The inadequate emphasis on public participation left little chance of participation, leaving citizens with minimum community participation in the process, resulting in unsuccessful TIF districts in the end. The excessive use or misuse of eminent domain reduced the usual checks, balances, discipline and limitations in the private and public sectors.

In some instances, businesses relocated to the TIF districts from neighbouring lower growth communities to enjoy the benefit of higher growth (Hynes, 1999: 6). Higher growth in school districts has created higher enrolment, but fixed tax revenue has resulted in negative effects on school aid formulas (Hynes, 1999: 6).

Many have argued and found that TIF districts caused gentrification and drove out poor households from their affordable housing in the TIF districts in Illinois (Hynes, 1999: p 6).

Some Recommended Changes in TIF

TIF is a financing tool, an instrument for propping up private investment in the least attractive parts of a city. Success of TIF in raising property values and expanding the tax base in the long term is certain but use of the method for economic development as a self supported financing tool is questionable (DNAP, 2003: 43) in the context of efficiency and effectiveness.

A successful TIF should raise property values without compromising consistent economic development and ensuring growing quality of life. A study done by The National Association of Counties of projects all across the U.S. found the criteria to be successful in TIF as follows:

- Blighted zone in the city, significantly unattractive for private investors, public supported investment is essential to encourage private investment in the area.
- Generally, quality of infrastructure is poor in the area.
- Coordinated development efforts under TIF administrative structure, and investment in projects to attract growth in the area.
- Investments must result in increasing public goods conforming to planned development.
- Projects must clearly establish causal links to private investment in the area.
- There should be no or minimal residential relocation, no or minimal business relocation, and no requirement to provide low/moderate income housing in the TIF districts (NACo, 2002: 16).

Neighbourhood Capital Budget Group has studied TIF in the City of Chicago in the context of establishing effective accountability, ensuring affordability of the community to its business and residents, and ensuring direct benefit to everyone from the TIF project. The study suggested coordination with the city's existing capital improvement planning, coordinating with other development programs and planning for "quick impact" projects (NCBG, 2001: second edition: 79).

The NCBG study suggested not to consider TIF as the only alternative but emphasized infrastructure improvements, residential conversion and other projects to increase foot traffic in the down town areas to attract development in the core blighted city areas (NCBG, 2001 second edition: 85).

The Development Neighbourhood Alternative Project in its inconclusive study recommended rejection of the TIF as a development tool. The study suggested that TIF does not consistently create new good jobs, while its impact on housing is not clear but impact on business and employment are clear (DNAP, 2003: p 43-45). It increased home sales in the area. The processes of TIF district creation practically excluded the community from effective participation in Chicago.

The DNAP[10] study has suggested seeking alternatives to TIF for community development, better information about TIF, making the TIF creation process more inclusive, and distributing the benefits of TIF more fairly.

TIF in Canadian Cities

As in cities in the U.S., Canadian cities are no longer solely dependent on their property taxes, although property taxes are their principal source of revenue (Havitz, & Glover, 2001: Ch 2 : 2). Cities across Canada depend more on the fees, charges, and fines along with property taxes as revenue sources. For example, Manitoba is the first province in Canada to introduce the use of Tax Increment Financing (TIF) for neighbourhood revitalization in the City of Winnipeg by amending the city charter (GOM, 2002: 2). Although a tax increment financed project or district is yet to materialize in Winnipeg, it is a step forward to allow this popular financing method for community development in Canada.

[10] Developing Neighbourhood Alternatives Project

Tax increment financing is not in use in Canada yet , but there are discussions and studies on going on the mechanism. As mentioned before, Manitoba enacted legal provision, and some recent exercises are in place to apply the principle of TIF in certain projects in some other provinces (CBC 2004). Most provinces have a law commonly known as an "anti-bonusing" law that prevents municipalities from providing financial incentives to industrial or commercial enterprises (Picciano, 2000). Ontario has such a law but with an exception in the planning Act (section 28) that provides authority to adopt a community improvement plan and to use TIF for the purpose. There are very few project based uses of TIF started in the Province of Ontario. The Province of Alberta is considering TIF for the East Village, Calgary area development.

When to Support TIF Redevelopment

- When subsidy needed to encourage development in the poorest areas of the poorest community (Dye & Sundberg, 1998)
- When gains in taxes are created 'but for' the presence of TIF projects only (Dye & Sundberg, 1998)
- When high property value growth expected under an intensive investment in a blighted area (Dye & Sundberg, 1998)
- When increase in the supply of decent, accessible and affordable homeownership and rental opportunities can be created through the program (Johnson, 2002)
- When the TIF can stimulate the rehabilitation, and renewal of deteriorated or dilapidated buildings are possible through the self sustaining TIF mechanism (Johnson, 2002).

When Not to Support TIF Redevelopment

- When local government would lose control over the tax base of an area (NACo, 2000)
- When there is chance that TIF financing would be used to subsidize (NACo, 2000) development/redevelopment cost without foreseeable benefit (NACo, 2000)
- When the induced development causes additional cost to other jurisdictions and outweigh their cost to benefit (NACo, 2000)
- When it fails to generate sufficient tax increment from the area to repay the cost of redevelopment (NACo, 2000)
- When it might cause huge residential or commercial relocation (NACo, 2002)
- When property ownership is concentrated in few hands (NACo, 2002)
- When there is no strong evidence suggesting future appraised value that would fully support funding of the projects (NACo, 2002)
- When it shows that the projects would increase 'private gains' instead of public betterment projects (Sullivan, Johnson & Soden , 2002: 17)
- When property value can support maintenance and renovation costs (Berlin & Nolan, 2002)
- Growth of the TIF area should not substantially affect growth of the city as a whole (Dye& Sundberg, 1998)

Summary of TIF Experiences

Usefulness of tax increment financing is basically part of an expression of serious long-term commitment by all levels of government to facilitate creation of demand for private development investment in presently unfeasible projects.

To facilitate feasibility of TIF, state commitment has to contain in the legislation authorizing diversion of public resources to encourage private investment and private profit, and also allocate resources with commitment to complement private investment in the context of furthering public interests.

Public commitment has to craft out a careful balance of outcome for the TIF projects and public interests. The weighing of the return on investment against risks of uncertain growth, and losing taxing obligations in the case of failed projects is the first step to start designating an area as a TIF district.

Appropriate growth rate for a useful TIF can be derived from historic growth rates and analysed cash flows using growth models and evaluating feasibility of the overall project. Generally, net present value of the cash flows and benefit cost ratios are employed to verify the feasibility of TIF projects. The model by Richard F. Dye & Jeffry O. Sundberg is simple but it directly indicates the efficiency of a TIF project using NPV (Dye & Sundberg, 1998).

Two different kind of application of the tool are evident in the U.S., they are: 1. Commercial projects in a designated district, and 2. Neighbourhood with mix land use. Though sufficient study is not yet available, the use of the tool for predominantly residential property development is not significant, though it is extensively used for the redevelopment of blighted neighbourhoods.

The evaluation reports support the mechanism for capital improvement projects but prescribe caution against residential redevelopments. The research articles do not differentiate between residential and other TIF projects, but emphasize the potential growth in property prices and the gap between market prices and redevelopment costs.

Three decades of application of the tool have added different kinds of innovation and integration of quantity based and price based support to the blighted neighbourhood redevelopment projects.

The experience shows that there is unlimited scope of the tool for effective application to remove blight in a city. There are ways to minimize the negative impacts of the mechanism on renters and homeowners. An integration of other development tools and support with tax increment financing can create the needed balance between property value increases and growth in the quality of life to sustain effective development in the blighted areas.

The fair understanding of the property price growth, location of growth and extent of impact of investment are prime requirements to maximize the positive outcome of the TIF tool and minimize potential negative impact and appreciate the risk on the neighbourhood and to the City.

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III. West Broadway Changing to Reposition

Neighbourhood Physical Characteristics

Tax increment financing depends on the rate of increase of taxes on the properties in the neighbourhood. This chapter contains an analysis of demographic and housing changes in the community and property assessment values to formulate scenarios for the evaluation of potential property value and thus the efficiency of the TIF program in West Broadway.

The neighbourhood is named 'West Broadway' due to its location at the West end of Broadway Avenue. Broadway Avenue is the only road within the neighbourhood that intersects all streets of the community and substantially affects the overall physical character of the area. The avenue, which was constructed by demolishing a central part of the neighbourhood, connects the core area of the neighbourhood to the Legislative Building and the commercial hub of the Portage Avenue area.

Located beside the wide avenues and boulevards of Colony Road, Portage Avenue, and Broadway Avenue, the neighbourhood is a cozy residential area between the banks of the Assiniboine River and the prominent public offices and commercial zones of the City. Its close proximity to the University of Winnipeg and thriving shopping centres, contiguity to the grand space of the provincial legislature and connection with the river, has offered a place of choice for the elites of the City in the first half of the twentieth century.

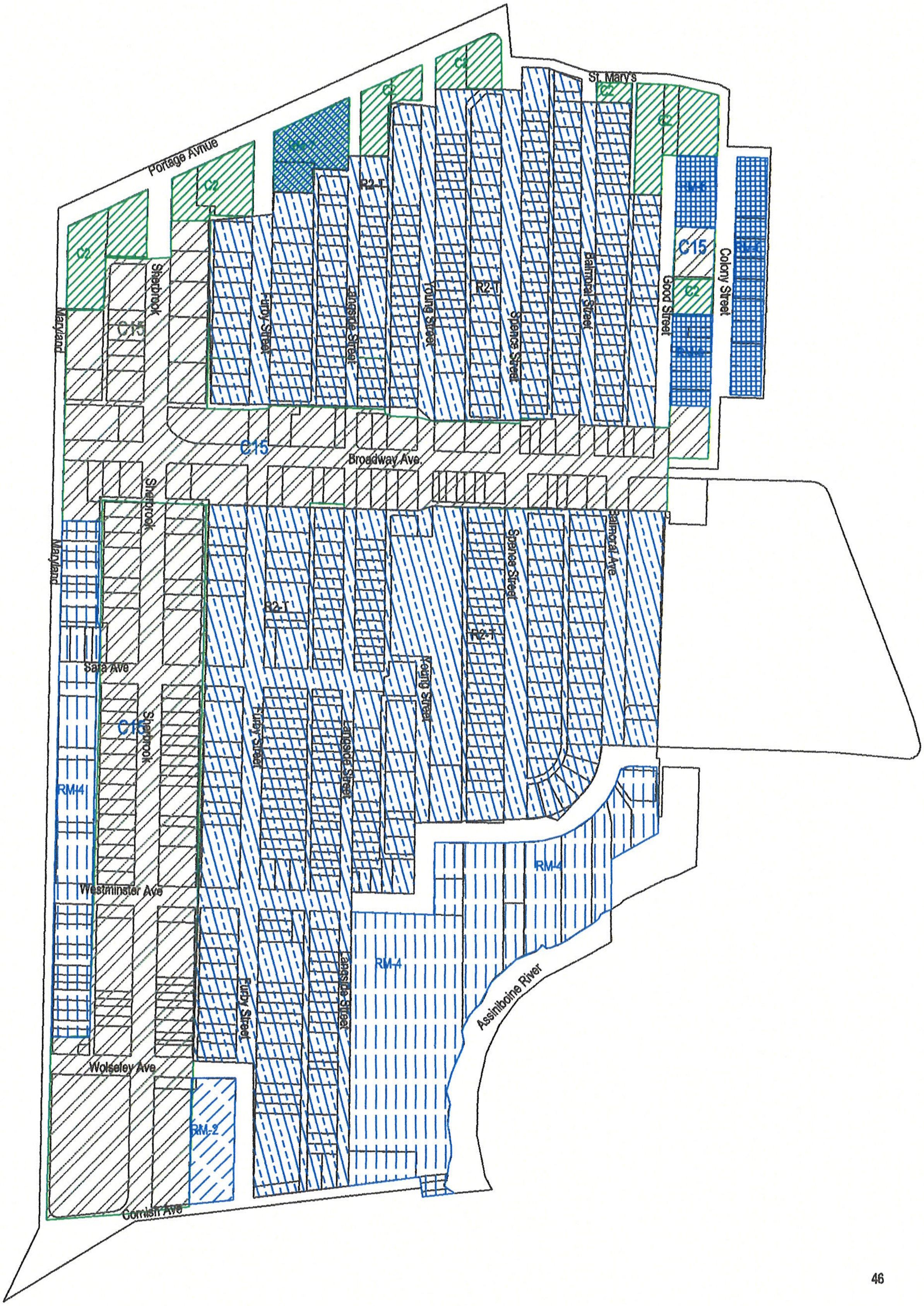
The stately homes and apartments on Balmoral Street, huge school grounds, churches and commercial areas in the neighbourhood with its location, scale and mix made the place lively for the community of about seven thousand people in the 1970s. The changes in the economy, reduction in family size, greater influence of automobiles, and improvements in the City's transportation systems contributed to the decline in the community over last thirty years. The most noticeable changes appeared in the 1970s, when new development in the fringe areas of the city, attracted rich and wealthy residents to the suburban lifestyle, reducing population in the inner city neighbourhoods. More than a third of its population left the community in the last thirty years.

The suitable location, established infrastructure, proximity to major transportation routes, mix of businesses and housing types, contiguity with stable neighbourhoods and services, attracted public interventions for revitalization. Sustained public actions have contributed to enhanced private confidence in the neighbourhood. Public intervention and assistance with private investments have established signs of revitalization within the West Broadway neighbourhood in recent years.

Zoning and Development Plan

The areas along Broadway Avenue, Assinboine River, Osborne Street, Sherbrook Street and Portage Avenue are designated RM-4, RM-6 and RM-7 residential zones, housing most of the towers and apartment blocks. The positioning of the multi-family residential blocks around the boundary of the neighbourhood has created a quiet community of single detached homes, rooming and smaller multi family walk up apartments in the R2T zones.

Map 1
West Broadway Neighbourhod: Zones



es:
3ENDS

C2		R2-T	
C15		RM-6	
RM-7		RM-4	

title:
WEST BROADWAY ZONES

scale:
NOT TO SCALE

date:
18 - OCTOBER - 05

North

The busy commercial hub of the City on Portage Avenue is separated from the neighbourhood by the C2 commercial zone. The neighbourhood commercial zone C15 is located along Broadway Avenue and Sherbrook Street (Map1).

Plan Winnipeg 2020 Vision[1] puts downtown first to spin growth of the City. It promotes the creation of healthy neighbourhoods by supporting neighbourhood revitalization through addressing the physical, social, and economic needs of the neighbourhoods. The plan gives priority to major improvement of neighbourhoods through coordinating delivery of services, engaging the community in the process, providing leadership, and encouraging private sector investment in the neighbourhoods. It supports the creation and protection of character areas and facilitates the provision of safe and affordable housing. The plan proposes tax increment financing (TIF) and tax credit programs to facilitate affordable infill development and improve housing stock in the older neighbourhoods (City of Winnipeg, 2000:17). The development plan also identifies some indicators to measure effectiveness of its policy toward the revitalization programs (City of Winnipeg, 2000: 11).

The West Broadway Neighbourhood Housing Plan incorporates Plan Winnipeg's development principles for the area (West Broadway Development Corporation/Alliance, 2001-2003). The neighbourhood designation report prepared by the City of Winnipeg categorized West Broadway as a 'Major Improvement Neighbourhood' based on social and housing indicators. Housing indicators include: Median selling price, residential rental, low income cut off, average effective dwelling age, unemployment rate, total building permits, employment participation rate and other population indicators.

[1] Policy 1A, Putting Downtown First; Plan Winnipeg 2020 Vision

The City's housing policy aims to bring life back to older neighbourhoods through renewed housing stocks within the neighbourhoods. Its objective is to integrate economic and structural changes to improve quality of life with building neighbourhood stability (City of Winnipeg, October, 1999)

Through the Neighbourhood Housing Development plan, West Broadway Development Corporation/Alliance is continuing to coordinate housing stock and community development programs through retrofitting of houses, community land trust, homeownership programs and several other projects and programs.

Changes in Demography and Housing

The City of Winnipeg's housing policy designated this neighbourhood of 0.67 square kilometres as a major improvement area. A neighbourhood of just over five thousand people with a population density of seven and a half thousand people per square kilometre is losing residents at a lower rate than in previous years. The declining trends in the neighbourhood's characteristics started after 1971, with out-migration reaching its nadir in 1981. The 1986 data showed a quick return of population to the neighbourhood with families and higher education, but the decline of the neighbourhood again set in as evident from the 1991 census data, which indicated a deteriorating housing stock and rapidly decreasing property values in the area. Successive census data indicate some positive changes in the neighbourhood, believed to be due to public action to revitalize the neighbourhood.

The neighbourhood changes examined are mainly after 1986, as it shows a quick decline in population, housing stock quality, affordability, and slow but steady recovery in the following years.

Changes in Population

When the City's population was growing at a rate of 0.7% per year (3.5% in five years), the neighbourhood was loosing its population at a rate of more than 3% per year during the period of 1986-1991 according to census data. The data estimates the loss of 4.90%, less than 300 (265) people over the next period of five years from 1991 to 1996. The census data shows a loss of 145 people from the neighbourhood, recording a declining rate of 0.56% per year during the period of 1996-2001.

The declining population growth rate has retarded over the period 1986-2001(Figure 3.1) at such a pace that it will show gain in population within 2006 in the area. The changing number of population growth imparted also with changes in its age groups.

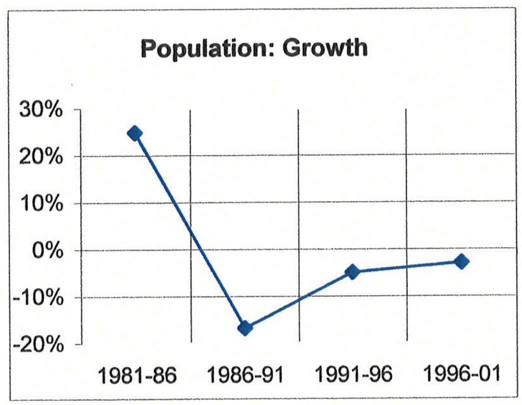


Figure 3.1: Changes in Population Decline

The population loss in the census period of 1991-1996 was mainly from the age groups of 0-4 years, 25-34 years, and seniors above 65. The loss in the population during 1996-2001 was due to the age group of 0-24 years and gains are in the age groups in between 40 and 54 years as observed in Figure 3.2.

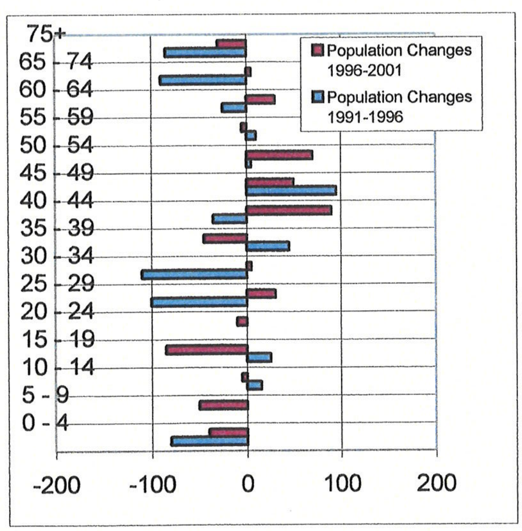


Figure 3.2: Population Age Group Changes

The above changes comply with the reduction in the number of families with children at home. It also complies with no changes in the number of married couples, common law families and increasing number of lone parents.

The population aged 15 and over have continued declining at a lower rate and the pattern is same as the total population growth rate in the neighbourhood.

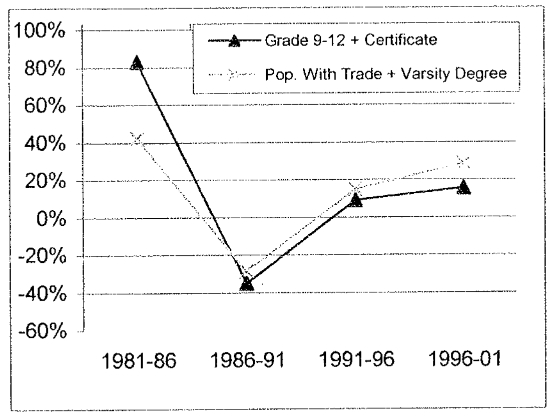


Figure 3.3: Population with Higher Degrees: Growth

The changes in population mixes brought in more working professional and higher educated residents and students in the area. The positive growth in the professional people continued from 1991 and added some more people with university degrees as observed in Figure 3.3.

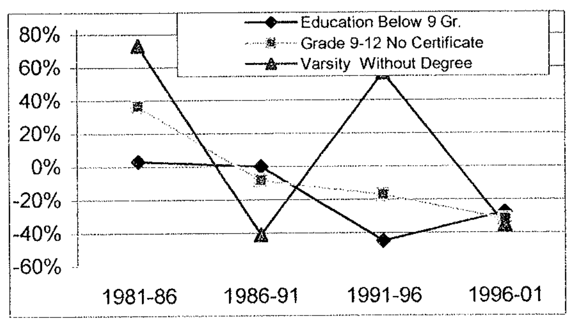


Figure 3.4: Population Lesser Degrees: Growth

Population with less economic employment opportunity is decreasing, as it is evident from Figure 3.4. As in other groups of people, population with less qualification have also grown from 1981 to 1986 and started declining again. Population with higher levels of educational attainment (Figure 3.3) has started increasing, but population with lower levels of attainment continued declining (Figure 3.4).

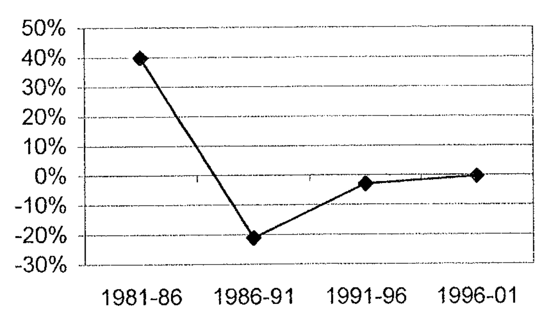


Figure 3.5: Population 15+: Growth

The rise in working age groups, professionals, and steady retention of population age over 15 years is contributing to the higher participation rate in the economy, as it is evident in Figures 3.5 & 3.6.

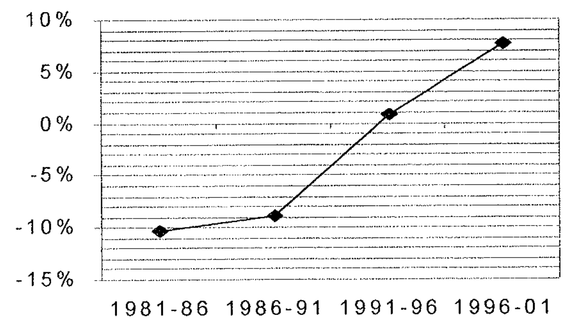


Figure 3.6: Growth in Labor Force Participation Rate

A mere growth of 0.88 percent in the participation rate in 1991-96 period has increased by 7.7 percent in 2001, raising the labor market participation from 56 percent to more than 61 percent during the period as depicted in Figure 3.6.

Changes in Household Formation and Family Sizes

The dwelling units have decreased and increased during the 1981-1991 period, mainly due to conversion of single dwelling units into rooming houses and the demolition of older houses (Anderson, 2004: 49). Dwelling units as well as the total number of households declined in the second half of the period, as did the total population.

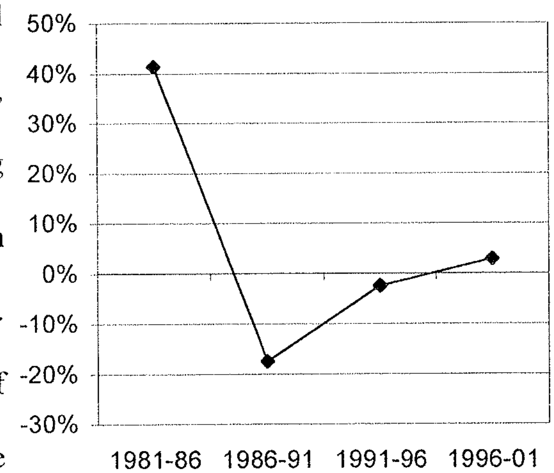


Figure 3.7: Private Household: Growth Changes

The total number of families in West Broadway is still decreasing, but at a lower rate than in previous years. The total number of private household was 3710 in 1986, an increase of 41.33% in 5 years from 1981(Figure 3.7). It has decreased to 2985 in 1996, a decrease of 19.54% in ten years from 1986. The neighbourhood profile recorded 3070 private households in the neighbourhood in 2001, an increase of 2.85% from 1986.

Single person household was 2245 in 1986, falling to 1870 by 1991 a decrease of 16.70% over a five year period. After 1991, the number of single person household started growing again and has gained 10.70% in the 10 year period (Figure 3.8).

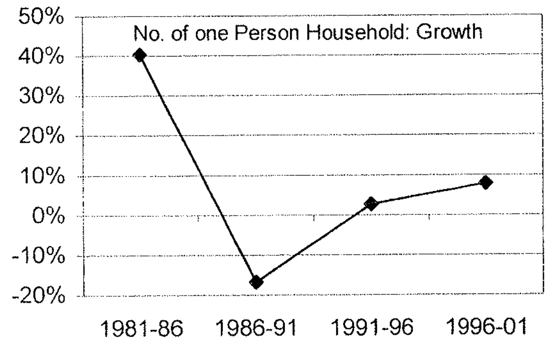


Figure 3.8: No. of One Person House hold Growth Changes

The larger household (2 or more persons) had reached its peak in 1986 and started falling again until 2001, declining from 1450 in 1986 to 1000 families in 2001.

Families of two persons has increased at a very modest rate after 1996, increasing from a total 475 in 1996 to 485 in 2001(Figure 3.9).The inter-census period of 1996-2001 shows a clear reversal of the past trend before 1986. The out-migration has slowed down and the total number of households in the area has decreased at a slower rate. The average household size in the West Broadway area has historically been smaller than the City and it has decreased at a rate faster than other part of the City as shown in table 3.1.

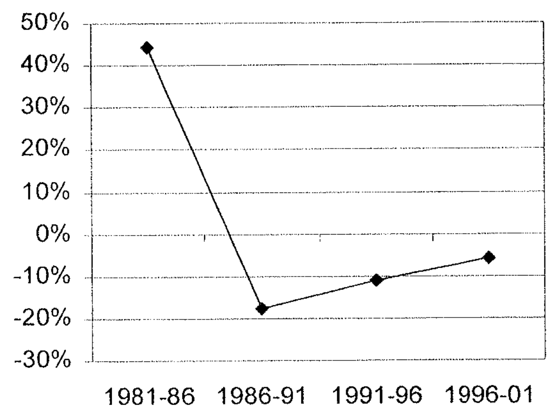


Figure 3.9: Household Size 2+: Growth

Year	**1991**	**1996**	**2001**
Household	3060	2985	3070
Dwelling	3065	2985	3065
Population	5455	5145	5045
Av. Per/HH West Broadway	1.78	1.72	1.64
Av. Per/HH Winnipeg	2.61	2.51	2.45

Table 3.1: Average HH size of the City and West Broadway

The 1991-1996-intercensal period has seen the highest rate of out-migrants, comprised of population age fifteen years and over, population age over five and seniors. The rate of out movers have retarded from 1996 to 2001 as evident in figure 3.10.

The declining negative growth in household size has partly contributed to the increasing number of occupied private dwellings. While population and number of census family[1] were still decreasing until 2001, the number of household was on the rise at the same period due to the growing number of single person household.

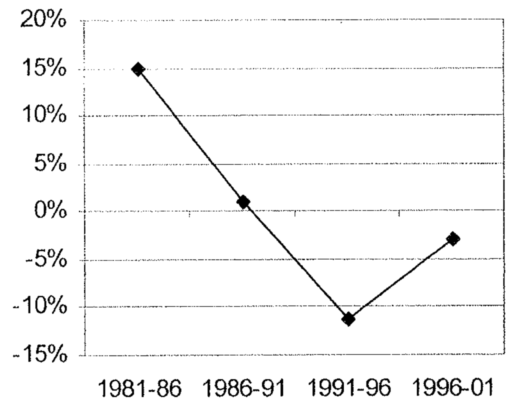


Figure 3.10: Non Movers (age 5+): Growth Changes

Despite an overwhelming presence of single person households, more and more families have opted to stay in the neighbourhood longer than before, as evident from the number of non-movers aged five years old and population aged fifteen years and over in the neighbourhood, which is declining slower than before (Figure 3.11).

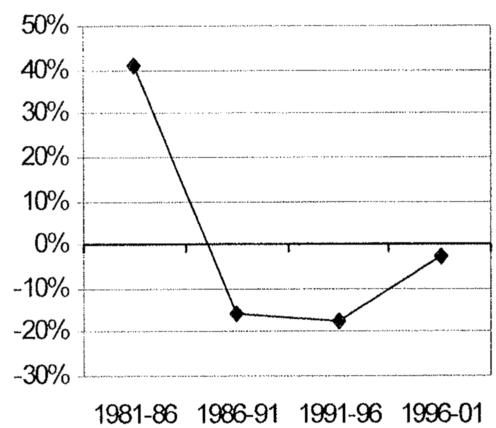


Figure 3.11: Census Family Number: Growth

The longer duration of time West Broadway residents are remaining in the community, coupled with an increase in the number of non-migrants may indicate a growing confidence in the neighbourhood among smaller families and single-person dwellers in the area.

Changes in the Economy

The median household income, recorded as $16,085 in the 2001 census year, indicates more than thirty percent growth from the previous census years (1996) income of $12,387. The average household income also grew at a rate of 6 percent annually over the census period, from $16,211 per year in 1996 to $20,923 per year in 2001. The employment structure of West Broadway has also changed between 1996 and 2001. During this period, employment income increased by 13 percent from 53.33 percent to 66.70 percent, indicating a lesser reliance on the government's transfer payments.

The population in the labour force is increasing, as evident in Figure 3.12. The labor force increased more than 2 percent annually, from 1996 to 2001. The unemployment rate dropped to 14.4 percent in 2001, from 29 percent in 1996.

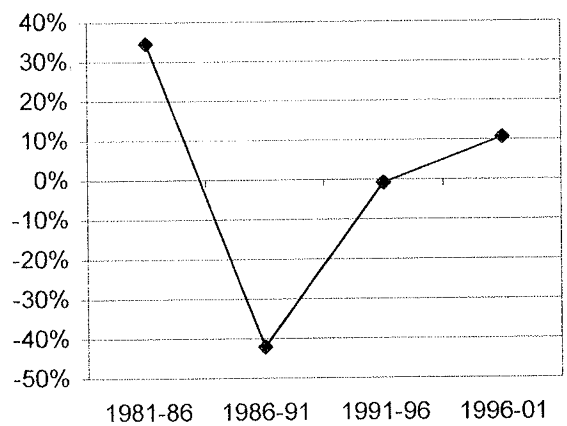


Figure 3.12: Labour Force Growth

The average family income in West Broadway has decreased by 5.7% between 1991 and 1996. In 1991, average family income in the neighbourhood was $ 21,682 dropping to $20,440 in 1996.

City	1996	2001
Average HH	$44937	$53176
% Change in Av. HH income	18.33%	
Av. Family	$53174	$63567
% Change in Average Family Income	19.54%	
West Broadway		
Average HH	$16211	$20923
% Change in Av. HH	29.06%	
Average Family	$20440	$27824
% Change in Av. Family	36.13%	

Table 3.2: City and West Broadway Income

After 1996, the average family income started rising in the area, grown 36.13% over the following five years. In the same period, median family income also grew, expanding from $16,528 in 1996, to $23,290 per year in 2001, representing a 40.90% growth over the five year period. The average household income grew 29.66 percent between 1996 and 2001, while the median household income grew by 29.85 percent during the same period.

The average household and family income between West Broadway and the City has changed with noticeable differences in the census year of 1996 and 2001, as evident in table 3.2.

Incidence of low income in the West Broadway neighborhood has recorded major development from 1996 to 2001. It has changed noticeably, yet the presence of low-income family in the neighbourhood is almost double than it is in the City.

	West Broadway			City of Winnipeg		
	2001	1996	Change	2001	1996	Change
Economic Families	54.90%	70.80%	15.90%	15.5%	19.40%	3.9%
Private HH	64.48%	76.60%	12.12%	20.30%	24.30%	4.0%
Un-attached Individuals	69.78%	80.80%	11.02%	44.30%	49.10%	4.8%

Table 3.3: Incidence of Low Income: West Broadway and the City

Housing Characteristics

The huge number of apartment dwellers in the neighbourhood overshadows the diverse forms of housing and skewed mix of tenure. A significant proportion of the buildings are privately owned, small apartments in the core areas.

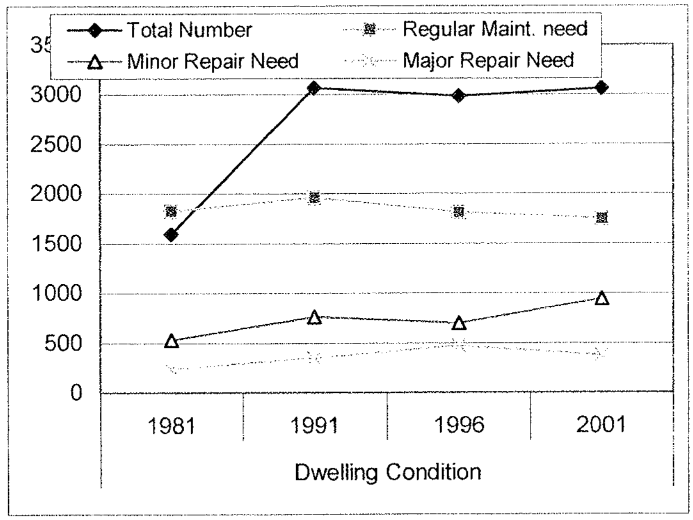


Figure 3.13: Dwelling Condition

The presence of small apartment buildings in the core areas, a non-profit senior citizen tower along the neighbourhoods edge, co-op family housing, and a good number of rooming houses provide most of the dwelling units in the neighbourhood.

Single-family detached homes and building with less than four family apartments, occupy almost two thirds of about 400 smaller residential buildings in the neighbourhood. Most of these smaller buildings are more than one hundred years old, while the other third are between seventy to ninety nine years old. The apartment blocks of two to 12 stories are located along the single detached homes in the neighbourhood, housing more than five units to 70 dwelling units in 98 apartment blocks.

Though the number of buildings which require minor repairs are increasing at a slower rate, the number of buildings with major repair required is decreasing and a huge number of buildings are still waiting for major repair works to revive the quality of housing supply in the neighbourhood, as shown in Figure 3.13.

Housing and Property Mix

Properties in the area can be divided into four classes for the purpose of the Municipal Assessment Act: residential 1, residential 2, residential 3, institutional and others.

Residential 1 properties include buildings that contain less than four dwelling units, residential 2 properties are types of residential buildings containing more than four dwelling units and residential 3 properties are cooperatives and condominium buildings.

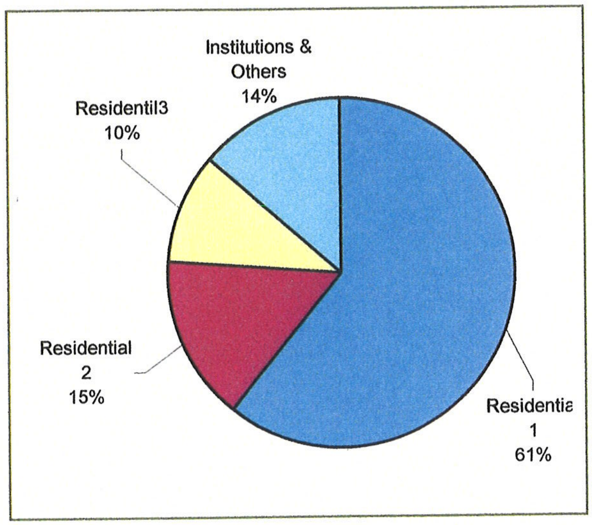


Figure 3.14: Property Class, (PAD, 1993)

According to 1999 and 2003 property tax assessments, 392 properties are classified as residential 1, 98 properties are classified as residential 2 and 53 properties are of residential 3 class. About one hundred properties belong to institutions, churches, schools, and commercial property class (Figure 3.14).

Churches, schools, and some of the institutions housing seniors are classified as tax exempt by the City of Winnipeg. Among three thousand dwelling units, only 225 was classified as single detached homes in the year 2001 by Statistics Canada (Figure 3.14 & Figure 3.15).

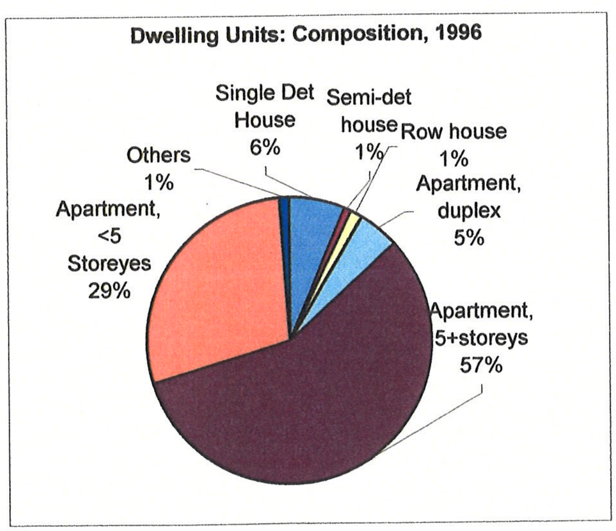


Figure 3.15: House Types, 1996

Regular maintenance[2] required on a property generally refers to painting, furnace and cleaning within a building. Minor repair, refers to repair of missing or loose floor tiles, bricks or shingles, defective steps, railing or sidings etc. Major repair refers to repair of defective plumbing or electrical wiring, structural repairs to walls, floor, or ceiling etc.

In 1991, 63.95 percent of the houses in West Broadway were in need of regular maintenance, 24.80 percent were in need of minor repairs, while 11.42 percent were in need of major repairs. In 1996, the maintenance requirements were reduced to 60.80 percent, 23.45 percent and 15.75 percent respectively. By 2001, the repair and maintenance requirements were comparable to the City's average housing stock maintenance and repair requirements. The City's average were 62.00 percent, 28.50 percent and 9.4 percent respectively for regular maintenance, minor repairs and major repair requirements at the same period.

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[2] Statistics Canada definitions:
http://www12.statcan.ca/english/census01/products/reference/dict/dwe003.ht, accessed on 18/05/2005

Statistics Canada, divides residential properties differently than the assessment department. The City average of apartment dwellings to other residential dwellings in 1996 was 32.80 percent and 32.29 percent in 2001. In West Broadway, it was 90.30 percent in 1996 and 90.52 percent in 2003.

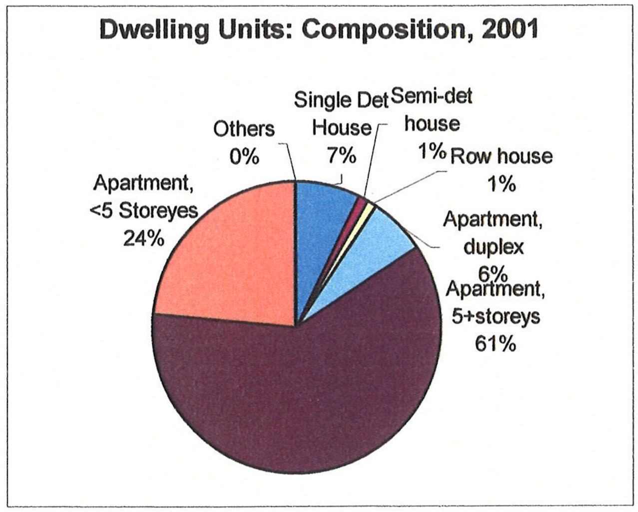

Figure 3.16: House Types, 2001

Within West Broadway, 85 percent of housing units are apartments, as evident in Figure 3.16. The rest of the apartments are lost in the definition of residential 1 class of properties, which include single detached and townhouses.

Property Stock

The average age of the residential 1 property stock is more than 100 years old. Only nine (2.2 percent) building of residential 1 class are built after 1946 in the area, while only 34 percent of the homes are less than 70 years old. The remaining 62 percent (252 homes) of residential 1 buildings constructed during or before 1905, and hence are more than 100 years old (PAD, 2005).

The variations in the total number of dwelling units are mainly due to demolition of the old stock and conversion of old homes to rooming houses in the recent past. The rapid growth of major and minor repair requirements for the old stocks has been reduced recently as shown in Figure 3.16.

Age and Number of Dwelling Units

West Broadway consists of about 650 lots in total. Altogether, 98 apartment blocks housed 2,193 dwelling units out of the total 3,060 dwelling units in the year 2001 (Figure 3.17).

The neighbourhood is predominantly occupied by apartment dwellers. More than half of the apartments are built before 1930; the last apartment in the area was built in 1988. The cost of maintenance, taste of residents and perception of the neighbourhood due to its very old physical orientation, made it different from neighboring residential areas on the other side of the river.

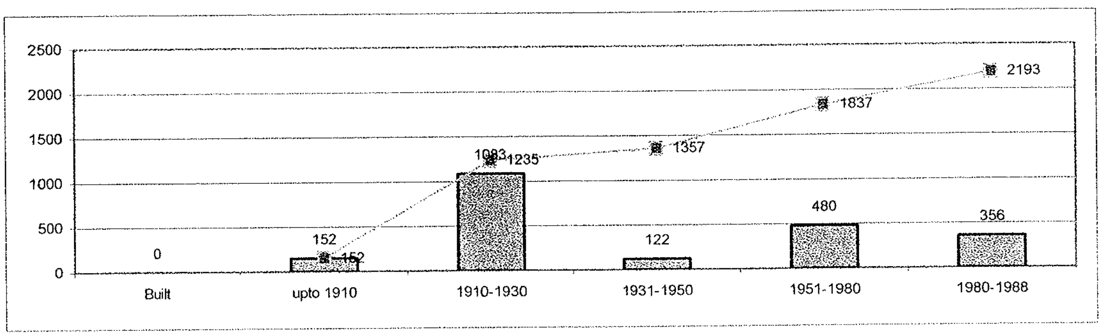

Figure 3.17: Property Stock with Construction period

Home Ownership

West Broadway is home to a number of people who need specific housing for different reasons. The predominant feature of the neighbourhood is its absentee homeowners. In the census year 2001, renters occupied 2,875 of the 3,060 dwelling units. Only a tiny fraction of the residents are homeowners; 190 of the 3,060 units.

Single person households account for two thirds of the total number of households in West Broadway. Only 740 families live in the neighbourhood, of which 40 were living with children at home in the 2001 census.

Home ownership is historically very low in the West Broadway in comparison to the City due to its physical mix of property types (Figure 3.18).

The ownership rate after the year 1996, has started rising again. According to 2001 statistics of the area, most of the owners do not live in the community.

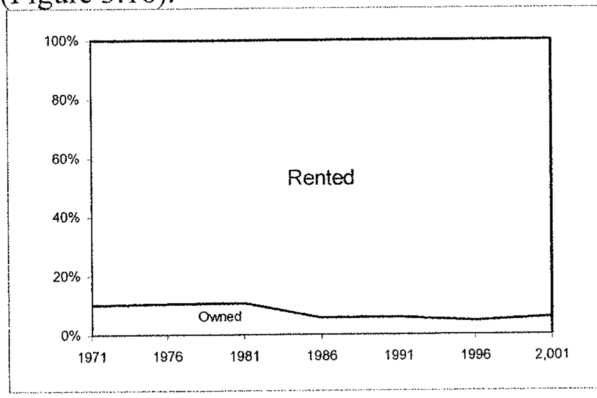

Figure 3.18: Home Ownership in West Broadway

Housing Affordability 1991-2001

The proportion of West Broadway residents who own as opposed to rent their accommodations are approximately 6 percent, while the city of Winnipeg average is more than 60 percent. The neighbourhood consists primarily of renters and most of them are of one member household (Stats Can 1996-2001). Two thirds of the private households are single person, while more than two thirds of the total dwelling units are in apartment blocks. The neighbourhood is inhabited by predominantly renters who generally live in apartments and move frequently.

The owners in the neighbourhood spend a higher portion of their income on rent than that of the City as a whole. In 2001, about 30 percent of the renters and in 1996, 25 percent of the owners paid rent more than 30percent of their income (Figure 3.19). In addition, the mortgages paid by West Broadway residents exceeded the city of Winnipeg Average.

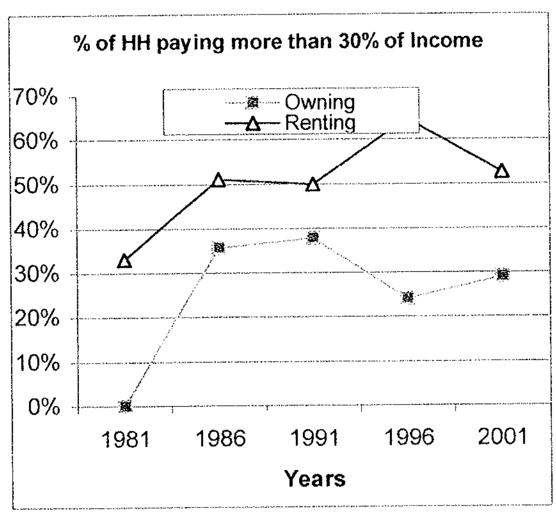

Figure 3.19: Cost of Accommodation

In West Broadway, renters occupied 93.8 percent of the dwelling units in 2001. Of these renters, 52.7 percent paid more than 30 percent of their income as rent, while only 38 percent of the City dwellers paid more than 30 percent of their income as rent during the same period. The average gross rent in the neighbourhood was $493 per month, 91.2 percent of the City average of $541 per month. In 1996, 64.7 percent of the renters in the area were paying more than 30 percent of their income. Average gross rent was $382 per month, 75.2 percent of the City average gross rent of $508 per month.

Owners were paying $700 per month as major monthly payment in 2001; the amount was 93.2percent of the City average of the same. Homeowners paying more than 30 percent of their income were 28.9 percent; the City average is 11.7 percent for the same. In 1996, owner's payment was $499 per month, 73.2 percent of the City average of $681. More than 60 percent (60.7percent) of the household was paying more than 30 percent of their income for major housing payment; the City average was 37.7 percent of the household for the same.

Summary

Renovation activities in West Broadway have had a positive effect within the neighbourhood. Its population is now generally younger and more economically active, with smaller family size and a greater tendency to remain within the neighbourhood for longer periods of time than in the previous years.

Supply of housing for smaller families, single parents and unattached individuals has increased. The intensified maintenance activities have contributed to the overall quality of neighbourhood dwelling units. The maintenance renovation has converted some of the units into multi family dwellings to small apartment buildings.

The rising demand also rose the rent and price of the dwelling units faster than the city average rate of increase. Yet, the housing affordability in the neighbourhood improved than the previous years.

The West Broadway redevelopment program is generating many positive changes within the community, as illustrated by chapter 3. Recent changes in housing quality and homeownership patterns indicate a transition to a new and unique neighbourhood. The neighbourhood seems to be transitioning towards a younger demographic, with a higher proportion of students, smaller households, often single parent families and an increase in neighbourhood vibrancy. The growing affordability with higher rate of increase in mortgage payment and rent indicates a growing demand for properties in the neighbourhood.

IV. Property, Value, Tax and tax Increments

The property assessment value indirectly reflects the market value of a property. In this chapter, we will look at property assessment values from 2000 to 2006, covering the reference[1] years of 1995, 1999, and 2003 to estimate tax and increments. Estimated tax[2] from assessment values, obtained from the property assessment department has been used to evaluate the usefulness of the redevelopment program in terms of incremental tax revenue earned from the neighbourhood.

In this chapter, I will look at evidence of changes brought in by the implementation of the housing initiatives by the provincial and the City government. The amount of property value changes in the neighbourhood, location, and amount of property value growth and location of redevelopment efforts are evaluated to find out efficiency of investments.

Property Values in West Broadway

In Manitoba, estimating property values for the purpose of property taxation are done every four years. The general assessment done every four years is known as a reassessment. Assessment of the property in the intermediate years uses the property values from the reference year.

The reference year is the year following the last general assessment. Immediately after a new reference year, property values become effective for new tax calculation and a new reference year value assessment starts, which will be effective after three years from that point.

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[1] Detail: see Appendix 1

[2] In the process tax credit deductions are neglected

According to the system year 2005, the assessment roll is using the six-year-old market values of the reference year 1999 and it will be replaced by the year 2003-reference year for assessed values in 2006.

Table 4.1: Relationship Between Reference Years and Assessment Years										
1994	Assessment Years	1998	1999	2000	2001	2002	2003	2004	2005	2006
Reference Years		1995				1999				2003

Note: Years in lower case letters are intermediate assessment years (Source: PAD[3])

Assessment or reassessment values always depend on the reference year's values that are at least three years out of date. At the end of each cycle, assessment values are six years out of date. The first year assessment values of the first reference year are substantially different from the previous year's assessment rolls as they reflect change in market value of the properties in the past three years. In the table above, the assessment rolls of 1998, 2002 and 2006 reflect market values of 1995, 1999 and 2003 respectively. The interim year values only incorporate the values attributed by the changes or improvements occurred to the property.

The market value based assessment system is practiced in the City of Winnipeg, though the assessment value is not necessarily the exact market value but a reflection of market trend, changes made to the property, changes in the neighbourhood and changes in zoning of the area.

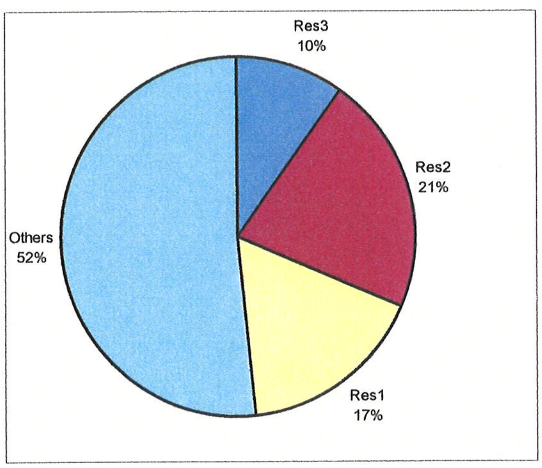
The value of all properties in the West Broadway neighbourhood is worth about 138.75 million dollars according to the 1993 assessment and would yield around 1.22 million

[3] Property Assessment Department, City of Winnipeg

The market value based assessment system is practiced in the City of Winnipeg, though the assessment value is not necessarily the exact market value but a reflection of market trend, changes made to the property, changes in the neighbourhood and changes in zoning of the area.

The value of all properties in the West Broadway neighbourhood is worth about 138.75 million dollars according to the 1993 assessment and would yield around 1.22 million dollars in municipal taxes to the city and 1.8 million dollar worth of education taxes to the provincial education support levy and school division taxes in the year 2006.

The total value of all properties in West Broadway in the 1991 reference year was 121.23 million dollars, while in 1995 and 1999, the total value of all properties in the neighborhood was 111.92 and 115.06 million dollars respectively.



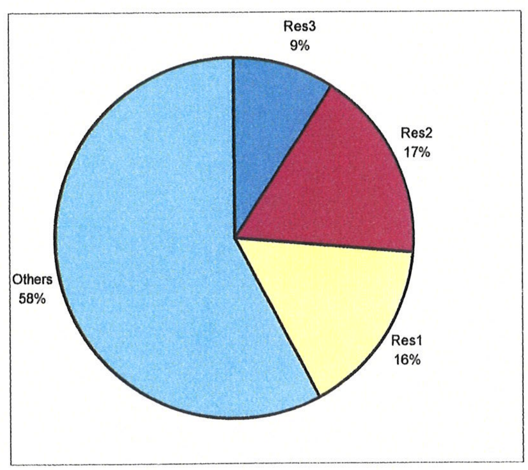


Figure 4.1: Property Class Value Shares, 2000/1995

Figure 4.2: Property Class Value Shares, 2006/2003

Though West Broadway is considered a residential neighbourhood, more than 52 percent of the assessed values are of non-residential class properties, 17 percent is of the residential 1, 21 percent is residential 2 and 10 percent is residential 3 class properties. Many of its residential properties partially house small business and service offices.

The properties in the area gained 23.90 percent in value in the period from the 2003 reference year to the 1995 reference year, and 2.8 percent from the 1995 reference year to the 1999 reference year. Most of the value growth came from non-residential properties, which were loosing values at a faster rate than residential properties in the previous reference years.

In the period between the 1995 and the 1999 assessment, properties classified under the category 'residential 1' lost more than 10 percent in value, while at the same time the other properties recorded a gain of more than 9 percent. However, residential 1 properties recorded the highest gain in value in the 2003 reference year compared to the 1999 reference year.

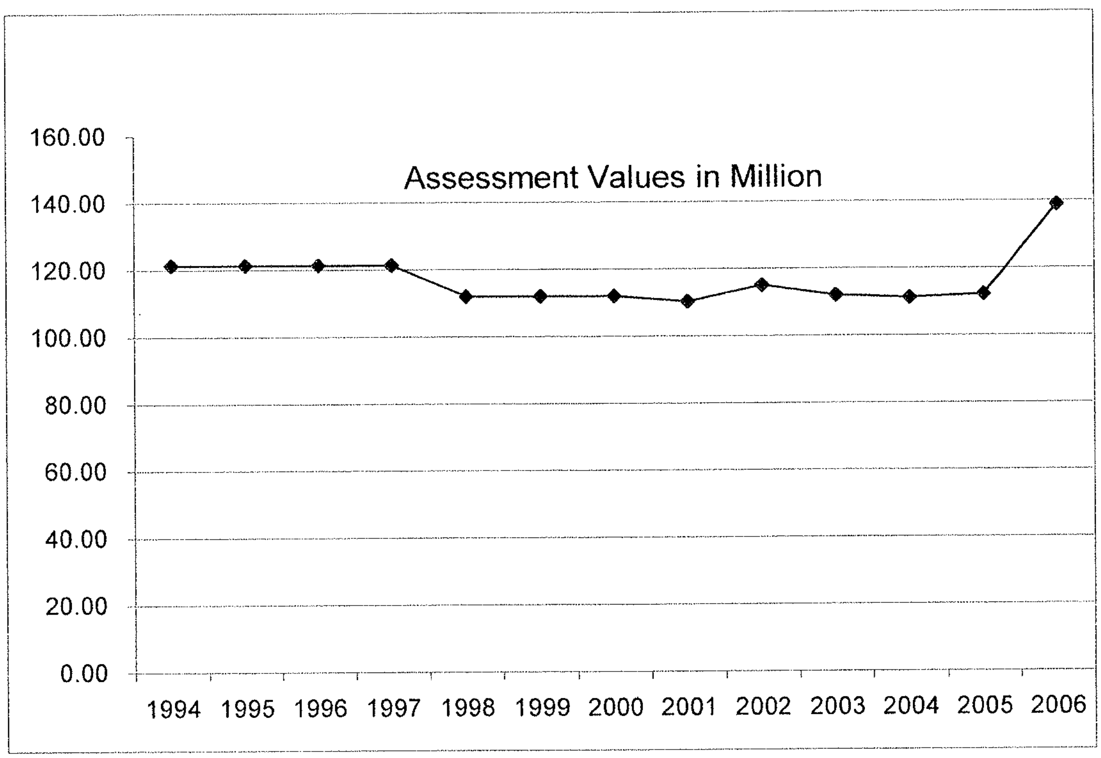


Figure 4.3: Variation in Property Assessment Values in the West Broadway
Source: PAD data Compiled by Author

Property Assessment Value Growth

The property classes show varying growth rates in the neighbourhood property in the assessment years. Since real estate markets depend on many other factors, the assessment appraisal of the property is a reflection of the demand for the type of properties in the area. It also reflects differences in demand due to location of the residential property.

The residential 1 properties in 2002 is assessed to have a negative growth of about 10 percent, while all other class of properties have experienced gains in value in that year.

The yearly growth of the residential 1 properties in the West Broadway neighbourhood shows a turn around from a declining appraisal to a considerable increase in values in 2006(Figure 4.7).

The annual growth rate patterns are distinctively different for each class of properties as it is evident from the annual growth rate table and figures (Figures 4.4, 4.5, 4.6, 4.7) compiled from the assessment data.

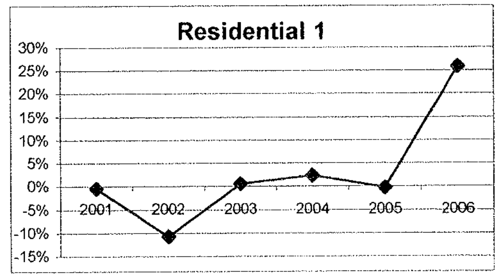


Figure 4.4: Annual Growth Rates

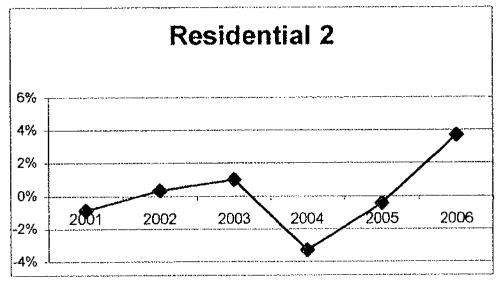


Figure 4.5: Annual Growth Rates

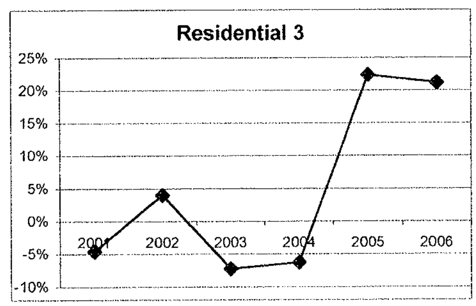


Figure 4.6: Annual Growth Rates

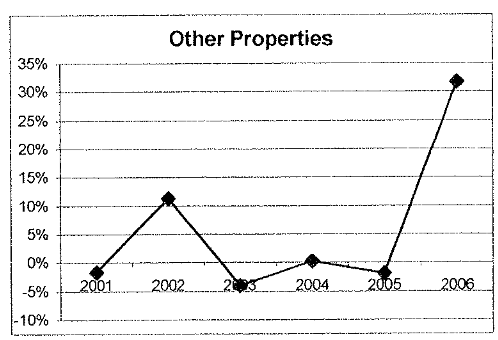


Figure 4.7: Annual Growth Rates

The residential 2 class of properties experienced declining values before 2002. The assessment in 1999 shows a positive gain in assessment values in 2002 but it declined in value again in 2004. This class of properties gained in value in 2003, reflected in the 2006 assessment roll. (Figure 4.5).

Residential 3, and non-residential properties have recorded a decline in values in the new assessment in 2002 according to the reference year of 1992, but gained value by 2004, reflecting new construction in the area and a gain in value in 2006 again.

The 'other class' of properties irrespective of investment did not gain in value due to differences in methodology but gained immensely in the 2003 reference year for the assessment roll of 2006 (Figure 4.7).

Property Value Growth Areas

The revival of the property price growth varies across street addresses as it shows differences in its class of properties. Until 1999(assessment year 2002), per unit dwelling price was highest at Broadway Avenue, followed by Balmoral Street and other areas in the neighbourhood. The difference of property values were more than 10 percent, the assessment values growth over a period of four years has shown a reduced gap in values across the neighbourhood.

Except properties on Sherbrook Street, Westminster Avenue and Maryland Avenue, the residential 1 class of properties have gained values all across the neighbourhood. The highest average property assessment value growth has been observed on Langside Avenue.

The variations in value among residential class 2 properties in the neighborhood were not wide. The average value of an apartment unit is eleven thousand to fifteen thousand dollars and it has shown little growth during assessment periods 1995-2003(Figure 4.5).

The value of residential class 3 properties varies widely in West Broadway and its growth is different across the neighbourhood (Figure 4.6).

The other classes of properties including commercial establishments and offices, restaurants and institutions have gained in values in excess of 40 to 90 percent across the neighbourhood as shown in table 4.2(Appendix 2, and Figure 4.7).

Neighbourhood Revitalization Programs

The West Broadway Neighbourhood Housing Plan4 is designed to achieve several objectives, addressing a number of key principles. It encourages and promotes all aspects of housing activities, extending useful life of housing stock, preserving historic characteristics of the neighbourhood and the structures, rehabilitating old houses, marketing quality and affordable housing with wide varieties and choices, promoting opportunity for homeownership, renting, developing and preserving public investment and sustainable development into the future (West Broadway, Neighbourhood Housing Plan 2001-2003).

The partners in the development efforts for the neighbourhood, cater different programs to fulfill the objectives and vision of the neighbourhood to revitalize the area into a feasible investment area for housing development and turn it into a place of choice to live in comfort in its unique environment.

[4] West Broadway Neighbourhood Housing Plan 2001, West Broadway Development Corporation/Alliance

Building new homes on vacant land is not economically feasible, due to the low market values of properties in the area. The Community Land Trust Program5 offers land for renting to reduce total cost of home ownership in the area.

Besides building homes, Lions Housing Partnership on Langside4 Street offers training, promotes energy conservation and employment in its acquisition, renovation and resale program in partnership with several non-profit private and public organizations and with Lions Club Housing Centres of Winnipeg Inc.

The Westminster Housing Co-op4 in the area aims to develop high quality housing, at reasonable minimum costs, utilizing federal, provincial, and municipal grants. Westminster Housing Partnership on the other hand provides high quality family rental units in the neighbourhood through renovation and conversion of vacant and boarded up properties through its efforts and commitment to the neighbourhood.

Tenant Landlord Cooperation4 Project surveys, inspect and interviews tenants and owners to ensure quality rental accommodation in the neighbourhood.

West Broadway Development Corporation, through its program, promotes RRAP6 and neighbourhood housing assistance to homeowners. The corporation also works in alliance with other community based agencies in Winnipeg to develop special housing needs projects in the neighbourhood.

West Broadway Neighbourhood Property Assessment Values

The assessment department has divided the city into ten market regions for the purpose of property valuation. The tenth region includes both the West Broadway and

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[5] West Broadway Neighbourhood Housing Plan, 2001-2003
[6] Residential Rehabilitation Assistance Program

Spence Neighbourhoods. While residential1 type of properties are assessed based on the real estate market indicators, apartments are assessed based on selling price and capitalization rates. Commercial spaces are valued based on commercial income stream and net operating income, as well as some other factors.

The West Broadway Neighbourhood shows a difference in growth amongst the different classes of properties. The Citywide value change in the market region during 1999-2003 was 23.20 percent, and the neighbourhood area market value change for residential properties was 29.8 percent (PAD, 2005)7. The assessment values of the renovated properties gained much more value than rest of the stock. For example, 145 Sherbrook Street, a residential class 1 property, gained 38.38 percent in value without major repairs, while the dwelling at 143 Furby Street gained 18.38 percent in value during the same period without any major repairs. The residential 1 property at 251 Furby Street had some internal alteration to convert it into an apartment at a cost of $8,000 in the year 2000. The property originally valued at $79,000 was assessed at $87000 the same year and grew by 10.57 percent to the taxable value of $102,600 in 2006. The Table 4.3 shows the impact of renovations and repairs in the neighbourhood.

The neighbourhood's property price growth pattern varies widely across Broadway Boulevard, but it mainly follows the concentration of narrow lots and residential 1 class of properties in the neighbourhood. The South part of Balmoral Avenue properties show the least growth followed by south of Young Street, and Maryland Avenue properties.

Most of the properties in the region experienced a decline in property values during the 1991-1999 assessments. Remax, a private real estate agent, predicted in 1999

[7] Property Assessment Map: www.winnipegassessment.com

Table 4.2: Property Price Growth Across Broadway Av.				
Street	Dividing Street	North Av. Growth	South Av. Growth	Overall Growth
Balmoral	Broadway	23.36%	2.43%	10.52%
Spence	Broadway	31.63%	20.59%	24.54%
Young	Broadway	21.52%	0.68%	10.38%
Langside	Broadway	29.48%	10.79%	13.18%
Furby	Broadway	*16.72%	**10.63%	15.33%
Sherbrook	Sara Av.	10.34%	55.92%	23.71%
Maryland	Sara Av.	10.75%	0.36%	6.12%

* Area North of Broadway Av. and South of Sara Av.
** Area between Sara Av. and Broadway Av.
Source: Property Assessment Values compiled by author

that the region would experience a strong turnaround in the selling price of properties[8] after an estimated 42.3 percent selling price decline over the eight year period.

The Remax prediction of the turnaround was dependent on renovations driven primarily by non profit organizations, tax incentives by the city, addressing crime issues, a strong economy, structurally sound homes and citizen's commitment to improve the image of the area.

The Property Assessment department has determined that 43 (16.3 percent) of the 263 apartment sold in the City, had transferred ownership in the neighbourhood, indicating a strong demand for apartment properties in the area. Since apartment properties are assessed in a different way, Residential 2 class property shows very little growth.

[8] www. Remax-winnipeg.com/newsletteroct99.htm

Public and Private Renovation Activities

Analysis of the 250 permit activities from 1998 to 2003 issued by the city's Planning, Property and Development Department, reveals that renovation activities mainly involve interior alterations, followed by non-structural repair and exterior alteration. The total new construction in the area during the period involves 51 percent of the total dollar amount of investment in the area (Table 4.3).

Table 4.3: Type and concentration of renovation by Street, frequency and cost

Street	Renovation Types									
	ar Repair	Alterati on	Additio n	Alterati on	Demolit ion	Alterati on	Repair	ion Repair	Constru ction	Total Number
Balmoral	3		1	9	7	4	1			25
Broadway						6	2			8
Cornish					1	6				7
Furby		5	1	3	1	14	3	2	1	30
Langside	7	2	4		3	9	5	3		33
Maryland			1			1			1	3
Portage			1	1		1		1	1	5
Sherbrook	3	3	1	1		25	3			36
Spence	4	4	6	2		5	3			24
St. Mary's		1								1
Westminster	1					4				5
Young	1	2		2	1	3		3		12
Sub-total	19	17	15	18	13	78	17	9	3	189
Total	1.51%	5.00%	3%	7%	0.1%	28%	1.8%	2.8%	51.02%	**Total Permit value = 19m**

Source: AMNDA Permit Tracking System (1999 to 2003), Summarized by author

The four new constructions were valued at more than the 1899 renovation permits issued involving repair, alteration, and addition project values in the neighbourhood

[9] 61 of the 250 permits involves no value

during the period(Table 4.2). The structural, non-structural, exterior and interior alteration covered more than 40 percent of the total renovation works10.

The renovation activities from the permit are summarized against class of properties. The highest concentrations of renovation activities were on buildings located along Sherbrook Avenue, Furby Street, and Langside Street. More than half (36) of the 60 buildings on Sherbrook Street has received some kind of renovation during the period; one in every three buildings on Furby street, and one in every four buildings on Langside and Spence Street11.(Table 4.3).

Table 4.4: Renovation Impact on Renovated Properties

Summary	No.-repair				Capitalized ($/%)	Repair Value($)	% Total Repair
Assessment Years		2001	2002	2006			
Res.1	75	2999100	2890400	4763950	2545875	2545875	51.95%
% Change			-3.96%	64.82%	73.59%		
Res.2	6	1455000	1253800	1319250	677086	677086	13.82%
% Change			-22.46%	5.22%	9.67%		
Res. 3	6	847900	917500	1236500	681700	681700	13.91%
% Change			8.21%	34.77%	46.79%		
Others	9	2902400	5544150	6041050	996290	996290	20.33%
% Change			91.02%	8.96%	49.88%		
Total	96	8204400	10605850	13360750	4900951	4900951	
Change			26.61%	20.62%		9801902	

Source: AMANDA Permit Tracking System, summarized repair permits by author

The properties which received renovations showed a significant difference in assessment values in comparison with all other classes of properties (Table 4.4). Between 2000(1995 reference year) and 2002 (1999 reference year) the residents 1 class of properties declined 3.96 percent. During the 2002 to 2006 (2003 reference year) years, the residents 1 class of properties gained 64.82 percent. Overall, the total value of these

10 AMANDA Permit Tracking System, Planning, Property and Development Department, City of Winnipeg

11 AMANDA Permit and Tracking System, Planning, Property and Development Department, City of Winnipeg

properties gained 26.16 percent (Table property class and annual value growth- appendix 2), representing a gain of more than 38 percent more than the average gain of this class of properties. The assessment capitalized 73.59 percent of the permit values issued against these properties.

Residential 2 class of properties had declined 22.46 percent in value in the period from 2000(1995) to 2002(1999) and gained 5.22 percent between 2002(1999) and 2006(2003) and capitalized 9.67 percent of the permit values issued for repair and renovation activities in the neighbourhood.

Residential 3 class of properties gained 8.21 percent in value between 2000 (1995 reference year) and 2002(1999 reference year) and gained a further 34.77 percent during the 2002 (1999 reference year) to 2006(2003 reference) period .

Others classes of properties including offices, stores and restaurants had started gaining values earlier than residential properties. These other types of properties gained 91.02 percent in value between 2000 (1999 reference year) and 2002(1999 reference year), yet the class of properties continued to gain in value in 2006(2003 reference year) and recorded another gain of 8.96 percent over 2002(1999 reference year) values and capitalized 49.88 percent of the renovation investment in the area.

Individual assessment value gain is significant in the neighbourhood from the 1999 reference year to 2003 and total property assessment value is significantly different among all properties in the neighbourhood.

Map2

West Broadway Neighbourhood
Permit Activities: January 1, 1998- June 30, 2003

otes:

EGEND PERMIT ACTIVITIES

title:
PERMIT ACTIVITIES: JANUARY 1, 1998 - JUNE 30, 2003

scale:
NOT TO SCALE

date:
18 - OCTOBER - 05

North

For example, the property located at 705 Broadway Avenue invested $450,000 in 1999 and yet its assessment value declined from 1.215million in 2005 to 2006 A residential 1 class property (196 Young Street) invested $18,000 in internal repair and gained an additional $6,600 on the assessed value of their property between 2005 and 2006. The gain in value on the 196 Young Street property is 18.69 percent, significantly less than the average of 64.82 percent gained in all renovated buildings, but in line with the average of 15.66 percent gained on all residential 1 properties.

Private and Public Investment in Renovation

Winnipeg Housing and Homelessness Initiative (WHHI) is showing continued commitments to West Broadway Redevelopment through providing direct support under NHA, RRAP and AHI programs. The province has distributed more than four million dollar for the neighbourhood redevelopment from the year 2001 to 2005.

The City of Winnipeg prioritized the neighbourhood housing redevelopment through its housing policy and designated it as one of the housing improvement zones. Besides its regulatory measures, the City has so far allocated more than a million dollar from the year 2000 to 2005.

The total redevelopment and development activities in the neighbourhood are significantly greater than the assistance provided by the City and the Provincial government. The redevelopment, repair, renovation, and new construction permits amounted for roughly 20 million dollar in the last five years starting in 1998 through to 2003 (Table 4.5)

Table 4.5: Summarv of Investment in West Broadwav. 1998-2005

Year	1998	1999	2000	2001	2002	2003
Total Permit Value[12]	$ 130,000	$11,945,960	$2,065,165	$ 3,296,683	$1,400,714	$ 1,100,900
Balmoral		$ 16,175	$ 352,700	$ 30,000	$ 21,400	$ -
Broadway		$ 450,000	$ 7,000	$ 11,500	$ 27,500	$ -
Cornish	$ 30,000	$ 895,000	$ 20,000	$ -	$ 56,000	$ 565,000
Furby	$ -	$ 9,009,500	$ 178,000	$ 330,000	$ 425,840	$ 115,700
Langside	$ -	$ 281,000	$ 138,700	$ 409,000	$ 295,400	$ 116,800
Maryland	$ -	$ -	$ 330,000	$ 6,000	$ 300	$ -
Portage	$ -	$ 600,000	$ -	$ 1,000,000	$ -	$ 10,000
Sherbrook	$ 100,000	$ 286,999	$ 365,600	$ 1,044,000	$ 438,290	$ 100,000
Spence	$ -	$ 105,400	$ 4,500	$ 128,183	$ 13,000	$ 19,000
St. Mary's	$ -			$ 200,000		
Wesminster	$ -	$ 301,886	$ 40,300		$ 20,934	$ 60,000
Young	$ -	$ -	$ 628,365	$ 138,000	$ 102,050	$ 114,400
Provincial Programs				$ 1,470,017	$ 409,552	$ 1,288,804
City Programs			$ 104,734	$ 284,025	$ 247,907	$ 119,705

Sources: Compiled from the City of Winnipeg Permit Tracking System & WHHI

Property Tax Structure and Composition

Irrespective of the property class, three different kinds of taxes are collected from the properties in the neighbourhood. The City of Winnipeg collects general municipal taxes, the Province of Manitoba collects provincial education support levy and each individual school division collects special taxes. Some common good properties (school, church) and senior houses are exempt from property taxes.

Table 4.6: Property taxes from the neighbourhood from 2000 to 2006

Years	Assessed Property Values		GMunicipal Tax	Ed. Support Levy	Special School Division	Total Tax
2000Roll (1995 lv)	111.91m		1183740	333731	951049	2468521
2001Roll(1995 lv)	110.18m		1082900	792182	1214369	3089452
2002Roll(1999 lv)	115.07m	4.43%	1128696	647538	1034594	2810829
2003Roll(1999 lv)	112.02m		1088018	607488	1051624	2747130
2004Roll(1999 lv)	111.14m		1077983	603047	1051365	2732396
2005Roll(1999 lv)	112.07m		1054754	582129	1098705	2735588
2006Roll(2003 lv)	138.75m	20.57%	1223431	675224	1274411	3173066

Source: Property Assessment Department from 2000 to 2006

[12] Private and Public

Taxes are dependent on both portioned values and mill rates. Overall, portioned values and the mill rate for the City, provincial education and education special levies for the school divisions are changing. The general municipal taxes in the year 2006 would be 38.56 percent of the total taxes; provincial education levy 21.28 percent and school division taxes 40.16 percent of the total taxes paid by the property owners of the neighbourhood.

According to the 2002 mill rates and portioned values, general municipal tax was 40.16 percent of the total, education levy was 23.03 percent and school division tax was 36.81 percent of the total tax paid by the properties in the neighbourhood. The total education tax was 59.84 percent of the total tax in the year 2002 and would be 61.44 percent in 2006. The City tax in general is declining, while education taxes are on the rise in recent years in the neighbourhood.

Taxes from different classes of properties are also varying over the assessment periods. The residential 1 class of properties (Table 4.7) had a share of 26 percent of the total taxes in 2001, decreasing to 20 percent in 2002 and increasing to 24 percent of the total taxes in the neighbourhood. Residential 2 class of properties had a share of 29 percent of the taxes in 2001 and declined to 24 percent in 2002 and to 22 percent in 2006.

The portioned values for the residential 2 class of properties has been reduced and the procedure of assessment of this class of property is not the market value but income and capitalization rate. The same trend is observed in the residential 3 class of properties.

Table 4.7: Property Price Growth and Shifting of the Tax Shares

Property Class	2001	Tax	% of Tax Share	2002	Tax	% of Tax Share	2006	Tax	% of Tax Share
Residential 1	18.87m	0.81m	26%	16.89m	0.5622m	20%	21.82m	0.757m	24%
Residential 2	23.72m	0.90m	29%	23.88m	0.6862m	24%	23.95m	0.713m	22%
Residential 3	10.82m	0.43m	14%	11.26m	0.3443m	12%	12.86m	0.385m	12%
Others	56.78m	0.95m	31%	63.03m	1.2181m	43%	80.13m	1.318m	42%
Total	110.19m	3.09m	100%	115.06m	2.8108m	100%	138.75m	3.173m	100%

Source: Property Assessment Department from 2000 to 2006, compiled by author

The portioned value for the 'others' class of properties is higher than the various other classes and the portioned value is also higher due to the presence of tax exempt properties. The others(non residential) class paid 31 percent of the total tax roll, though total property value was 51.59 percent of the total in 2001of both values and share of tax these class of properties have increased to 57.75 percent and 42 percent respectively in 2006.

Tax Increment & Feasibility of the Redevelopment Activities

The data available for the research does not go beyond the year 2000 and up to the year 2006. The assessment values available for 2006 are effective from 2006 to 2009. The present estimate of the total tax and tax increment from the year 2001 to 2009 is taken as the revenue for a TIF financed redevelopment in the West Broadway neighbourhood starting in that year.

The benefit cost ratio for the project is calculated using all the public investment made in renovation activities in the neighbourhood and tax increments starting from 2001.

Table 4.8: Tax and Tax Increment (2000-2006)

Years	Assessment	Total Tax	Tax Increment
2000	111915850	2468521	
2001	110185200	3089453	620931.2
2002	115063770	2810830	342308.3
2003	112023420	2747131	278609.5
2004	111145520	2732396	263874.7
2005	112066620	2735588	267066.9
2006	138753580	3173066	704544.9

Source: PAD from 2000 to 2006, compiled by author

Assuming a ten-year project, the tax increment assumed to remain at the 2006 level until the end of the project in 2009 (Table 4.8). The ten-year project yields a benefit cost ratio of 1.01 and a negative net present values at interest rates of 5 percent, 2.5 percent, and 1.5 percent. The interest compounded yearly and tax increment kept constant after year 2006 (Table 4.9).

The revenue includes increment on all the property taxes accrued after starting the project in the year 2000. The Net Present Value (NPV) shows a significant sensitivity to the changing interest rates (Table 4.9)

Table 4.9: Net Present Value of Investment & Revenue

Year	Investment13	Revenue	PV(5)	PV(2.5)	PV(1.5)
2000	104734	0	-104734	-102180	-103186
2001	1754042	620931.2	-1079153	-1078511	-1099867
2002	657459	342308.3	-285851	-292649	-301384
2003	1408509	278609.5	-976050	-1023633	-1064573
2004	222825	263874.7	33771.66	36281.92	38104.77
2005	1091707	267066.9	-646127	-711085	-754168
2006		704544.9	525742.3	592709.1	634813.8
2007		704544.9	500706.9	578252.8	625432.3
2008		704544.9	476863.7	564149.1	616189.5
2008		704544.9	454155.9	550389.4	607083.3
2009		704544.9	432529.5	536965.2	598111.6
BCR	1.010734	NPV	-668145	-349310	-203444

Source: PAD from 2000 to 2006, estimated and compiled by author

Net present value is the total discounted cash flows after of the project at the value level of the starting year.

In the ten year project period, the education and the City tax districts would have lost the entire revenue amount to private investors, if the development were financed through the TIF method. If West Broadway were not redeveloped through different programs, the growing trend of declining property values would have lost progressive revenue due to blight in the neighbourhood.

[13] Sum of City and Provincial Investment: Table 4.5

Redevelopment and Property Tax Potential

Market values of properties has a direct impact on the assessment values and property taxes are directly proportional to the assessment values of the property. The portioned value and mill rates combine to 1.33605 percent (Portioning Factor = 0.45, and mill rate = 29.691) to 1.92985 percent (Portioning Factor = 0.65, and mill rate = 29.691) of the assessment values14.

Remax Real Estate15 agent described that from1991 to the year 1999, the central market area has lost property values by more than 40 percent on average. The reflection of that is perfectly observed in the assessment values of the reference year 1999, which shows a declining value of properties in the region. Things have changed in the region and especially in West Broadway since 1999. In the 2003 assessment, there was a clear gain in property value, paving the way for future growth.

The neighbourhood profile16 of West Broadway recorded a change in dwelling price, as the owner occupied dwellings lost value by 9.5 percent between 1996 and 2001, while the City as a whole gained market value by 5.4 percent in the same period. Quickly the renovation activities revamped the selling price of properties in the neighbourhood as it is evident from the 2003 assessment year values.

The growth of the properties selling price varies in rates. It will stabilize at a point economically feasible to demand and supply of the properties in the area. The present real estate market in Winnipeg is described as red hot. Commercial downtown is seen as booming, yet the downtown area is not considered by many as a prime residential area

[14] for detail procedure: appendix 1
[15] www.remax-winnipeg.com/newsletteroct99.htm, accessed on 8/24/2005
[16] City of Winnipeg

(Wood, 2005)17. Wood (2005) considers the main reason to be perception of the area and security concerns; both of which he successfully argues as outdated. The neighbourhood is improving, residents are moving in, business people in the area are happy, and there is a lot in the community to offer.

Growing population, rising dwelling cost, changed image of the neighbourhood and booming commercial development in the downtown leads to the conclusion that this neighbourhood is poised to economically viable investments in the very short period. The net tax increment as it is seen is favorably turning the public investment in redevelopment a viable option for the City and the province.

TIF Revenue and Investment Models

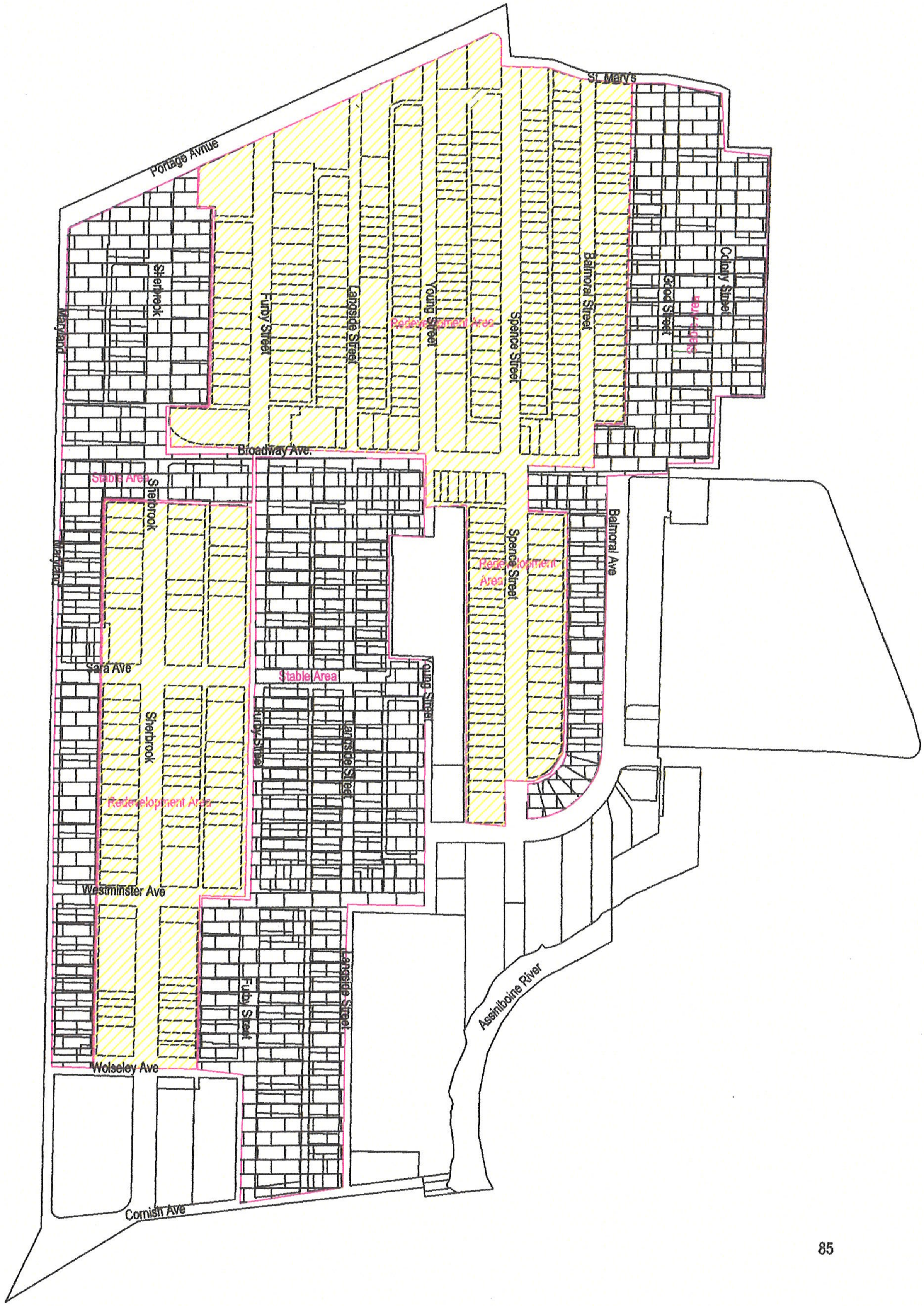
To develop a growth model for the West Broadway neighbourhood for TIF purposes, the neighbourhood can be divided into three areas following property price growth pattern in the last assessment values.

The neighbourhood can be divided into a small stable area, conservation area and redevelopment area as shown in the map, or it can be divided following class of taxable properties.

[17] On the Road from down and out to up and coming, by Crystal Wood, Com Free, Volume 9, Issue 16, August 26-Sept.8, 2005

Map3

West Broadway Growth Area



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EGENDS
REDEVELOPMENT AREA
STABLE AREA

title:
WEST BROADWAY PROPERTY VALUE GROWTH AREA

scale:
NOT TO SCALE

date:
18 - OCTOBER - 05

North

The TIF fiscal model is designed to analyze the fiscal impacts of strategies in the West Broadway neighbourhood. The model is based on the presumption that investments made for the selected projects are recaptured through increases in property taxes over the life of the project (Figure 4.11).

Assumptions made for the TIF impact model are:

- Property price growth would continue to vary among classes of properties
- Property Assessment legislation will not affect the model[18]
- The rising demand for single person households will push the rents
- Public[19] support continues to play an increased role to support residential rehabilitation and assistance
- Within twenty two years, redevelopment and residential construction would be financially feasible
- Factors external to the neighbourhood continue to contribute to the growth of the property prices
- The redevelopment efforts prior to year 2000 is in a predevelopment stage, year 2000 to year 2011 is redevelopment stage and from the year 2013 to 2021 is post redevelopment stage of the project.
- Assumed growth in each assessment year

[18] Implementation of 'Assessment Task Force Report, Sept. 16,2002' proposals would affect the model
[19] City and Provincial support would continues to bolster redevelopment of downtown

Table 4.10: Scenarios for the Growth Model

Growth Rates/period[20]	20.57%	20%	20%	20%
Higher Growth	20.57%	25%	28%	25%
Lower Growth	20.57%	16%	13%	10%
No Growth	20.57%	0%	-5%	-13%
Assessment /Reassessment years	2006-2009	2010-2013	2014-2017	2018-2021
Reference Years	2003	2007	2011	2015
Stages of Development	Redevelopment 2001-2011		Post Development 2012-2021	

The above scenarios are considered without detailing further the factors in conjunction with the degree of redevelopment activities or lack of strategic planning inducing effective property price growth in the area. The model creates losers and benefactors to accumulate resources for the development through the TIF mode of financing.

The cash flow of the process affects education and municipal taxes.

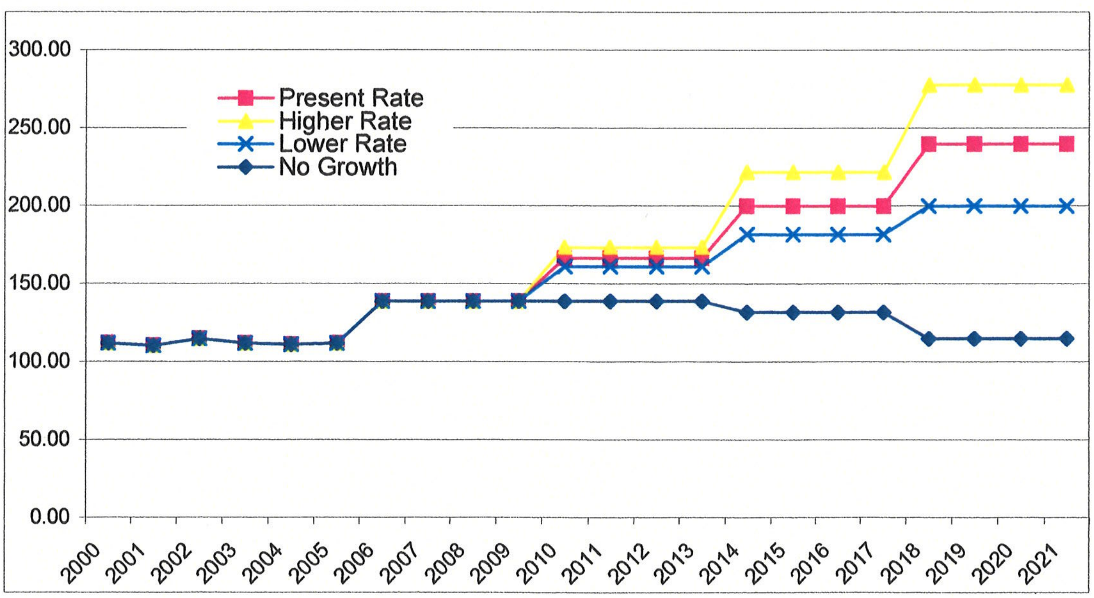

Figure 4.8: Property Price Growth Models for Different Degrees of Development

[20] Present rate of growth

Cash Flows

The taxes are proportional to the assessed value of the properties, so the cash flows vary proportionately and the tax increment chart would take the same shape as of the assessed value with tax increment values.

The share of revenue from the City, and education taxes vary over the project life as well as growth rates of the assessed values. The total revenue earned at present rate of growth in the 21 year project life amounts to 27.661 million dollar, 32.916 million dollar at higher growth rate of development and 10.322 million dollar for no growth situation. The revenue accumulated through tax increment is the amount lost by the City, and the School Division and if it were a TIF it would be revenue for the TIF district.

The growth and no growth situations show the possibility of future gain and loss in revenue from the neighbourhood to the school district, which might be a matter of concern for the school district.

Summary

Renovation activities in West Broadway has positively affected its population towards a younger mix, more economically active group, with smaller families and single households, with residents staying in the neighborhood for longer than in the past.

The public programs and repair and renovation assistance with community building efforts, has brought in private investments to the area. Commercial ventures have more investment in the area than residential properties during the period 1998 to 2003.

Residential properties seem to follow the growing investment in commercial activities in the area. However, the residential 2 class of properties on average received a significant amount of investment, yet the class of property is growing slower than the other two classes of residential properties.

Private investments have primarily been made in commercial properties, while public funding was in renovation, repair and alteration works on the residential properties. Private investments include new construction and the creation of new business in the area, while public investment is engaged in conservation of the property stock. Since, average property price is growing at a faster rate in the neighbourhood than the city average, it can be concluded that renovation and rehabilitation programs and assistance are playing a very important lead role in the neighbourhood redevelopment campaign.

V. Tax Increment Financing for West Broadway Redevelopment

Tax Increment Financing depends on the tax increment revenue of the neighbourhood. The different growth models use different criterions to evaluate efficiency of the TIF method to appraise investment proposal under TIF.

This chapter contains evaluation of the redevelopment investments in the neighbourhood under different degrees of development efforts. The Degree of development is based on the amount of investment in the neighbourhood.

The interpretation of the present demographic trends is used to predict the future population growth scenarios, and the assessment of value growths is used to predict the expected future growth scenarios.

The West Broadway redevelopment program has brought positive changes to the community's people as well as its housing characteristics. Recent change in housing quality and homeownership patterns indicate a turn around in the neighbourhood unlike that seen in any other neighbourhood in the City. The neighbourhood seems to be poised for a new community of young, student, single parent, smaller household, self-employed and a broad range of service enterprises along its commercial areas.

Based on the growth model, demographic trends and housing characteristics, conclusions are drawn and recommendations are made for a tax incremental financing for the West Broadway neighbourhood.

a. Population

The population in West Broadway is turning up with a more changed mix than it had in the past. There are changes in the population age group in the census period of 1996 to 2001, indicating a turn to more working group from more dependent groups.

If all the present conditions for population growth and redevelopment continues. The present progressively decreasing negative growth pattern would result in positive population growth in 2006, as it is evident from the figure 5.1.

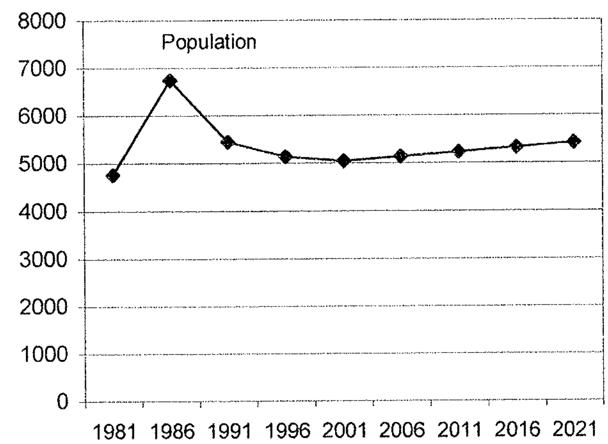

Figure 5.1: Population Growth Pattern

The retained population will be predominantly single person households and progressively smaller families.

The number of single person household accounts for more than two third of the household in the neighbourhood, while City's single person household has increased only by 1.7%, in the West Broadway, which was more than 11% from the year 1996 to 2001.

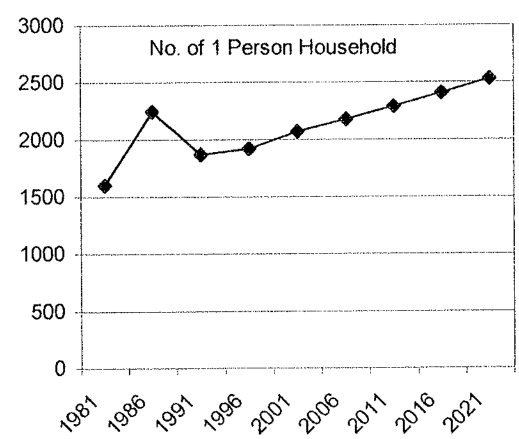

Figure 5.2: 1 Person HH Growth Pattern

If the present rate of growth of the single person household continues, the number of single person households might constitute 40 percent of the population in the area as shown in figure 5.2 by the year 2015.

The community building activities, housing renovation, and perception of West Broadway as a good place to live (Anderson, 2004: 60), encompassed safety, housing, beautification, and neighbours. This change in perception is reflected by the decrease in the amount of people moving out of the area after the 1991 Census. (Fig. 3.7).

The demography of the West Broadway neighbourhood is most likely to bolster the trends set in the predevelopment (table 4.10) stage of the neighbourhood redevelopment efforts.

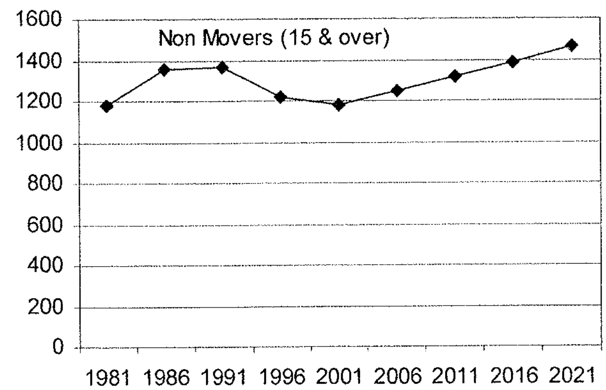

Figure 5.3: Non-Movers Growth Pattern

If The present growth trend prevails, the negative non mover growth would take a positive turn in the year 2006, as it is shown in the figure 5.3. That would show a rise in the demand for more rooming houses, boarding houses and smaller apartments in the neighbourhood. The actual demand for rental accommodation in the neighbourhood boosted the conversion of the single and multifamily homes into small apartments, rooming and boarding through extensive alteration, structural changes, and renovations as described in the chapter 4. The growth in demand for the smaller dwelling units accelerated the rate of alteration, internal, external and structural changes to the buildings. The plummeting of the trend would be reached only when the availability of suitable buildings exhausted, and or the cost of alterations became unfeasible.

b. Economy

The average household, family and individual incomes are increasing faster than that of the City as a whole as illustrated in chapter three. The growth in incomes indicates a rise in affordability at a rate higher than the City average, showing affordability through displacement of the residence from the area. The above average growth of the economy, the increase in the rate of participation, and the increase in the number of higher educated people in the area indicates a shift in demographics in West Broadway; a strong indication of the starting of gentrification.

The economy shows a gradual deconcentration of the poor people from the neighbourhood as redevelopment efforts are getting ground in the neighbourhood. The increasing investment in the downtown area and in the West Broadway neighbourhood created more job opportunities than before.

c. Housing

The population of West Broadway is still decreasing as opposed to the number of housing units, which are increasing. The main sources of increasing dwelling units are a few constructions, some demolition, and a huge number of conversions of single or multi family housing units to rooming houses, multi family units, and boarding houses.

An Overwhelming presence of multi-family dwellings and very few homeowners are barriers that inhibit West Broadway from forming a stable neighbourhood, according to Zeielecnbach, as explained by Anderson (Anderson, 2004: 28), this neighbourhood is lacking care for the properties that the residents do not own; in the face of decline, it exacerbates the situation.

The conversion of the residential 1 class of properties is easy due to the number of rooms per building and non variation in the tax class for up to four family houses Conditions are made easier by equalizing portioning of the property value for all residential class properties from assessment Year 2000 (Appendix-2, Portioning and Mill rates).

The property type mix has gone through little changes from the census year 2001 to 2006(Figure 3.12 & 3.13) due to the fact that the residential 1 property class includes apartment building with less than five dwelling units. Stock of less than five storied apartments recorded some changes.

The West Broadway Renovation activities have resulted in significant redevelopment of commercial properties, and alteration of residential properties to convert the old spaces into livable housing for the new generation. As observed from permit tracking data of 1998 to 2003 in chapter 4 [1], In the future, a substantial number of residential 1 buildings may opt to change to rooming and boarding houses, and less than five unit apartment complexes to meet the demand.

Assessed Property Values of West Broadway

The assessment value of residential 2 properties in the year 2006, grew even less than 4%(figure 4.5) to the assessment year 2002 values lowest among all classes, indicating a balance between supply and demand of the type of residential 2 class properties or reached a threshold level. Residential 1 and residential 2 property values remained below market price, and grew more than 20 percent by 2006 (figure 4.4 & 4.6). These properties are expected to reach a price level balancing supply and demand for the property in near future followed by sluggish growth for some time.

[1] AMANDA Permit Tracking System, P, P&D, The City of Winnipeg

A higher rate of private investment in commercial and other classes of properties, and more than 35 percent growth in five year period indicates that there may be a higher demand for this class in the future. The sustained growth from the year 2001 is encouraging repair, maintenance and construction of properties in the neighbourhood that is expected to continue for a while.

The perceived feasibility of investment in real estate is evident from the fact that the percentage of dwelling units requiring major repairs has changed from 15.74 percent (Figure 3.10) in the year 1996 to 12.23 percent in 2001. The major, minor, and regular maintenance requirement of the properties in the area was very close to the city average as observed chapter 3. The increasing demand for single household and smaller family accommodations is supposed to continue, which will push forward alteration of the buildings.

Although the assessment value is growing, the market value level is still below cost of construction and renovation, supply side support has to be continued to maintain the present level of stock and quality of housing in the area.

Assessment Values and Property Taxes in West Broadway

The property assessment lags behind by the present market by 3-6 years. In the assessment, year 1994 tax levels were much higher than property value because of the rapid decline in the property price. At present, the West Broadway area is experiencing higher property price growth than before, yet the property tax level is remaining at the 1999 property price level, which is not at par with the assessed values. An investor has to pay interest rate compounded every six month on his borrowed money for investment, while he would get incremental tax from the investment at least three years from the date he has completed the project. Ultimately, the project cost would outweigh the return on investment therefore; it would be less attractive for a TIF project to start.

There is a tremendous potential to accrue tax increment from the investments in the neighbourhood, especially the residential class1 properties as the average assessed value per unit is well below average dwelling cost in the neighbourhood.

The Assessment task force report[2] recommended changes in assessment related legislations to shorten the assessment cycle and bring the reference year closer to the assessment year. If the recommendations were implemented the private investment for redevelopment through TIF would be more attractive.

Financing Models for West Broadway and Feasibilities

Now, the stage is set for conservation and redevelopment of the neighbourhood with substantial capital investment. The massive capital investment to lead role in catalyzing private redevelopment by successfully eliminating deferred maintenance, blight, and obsolescence of public facilities, land speculation, and assembly to cross the limit of growth attached to the neighbourhood physical characteristics and negative perceptions would finalize another reign of change for the West Broadway.

The West Broadway neighbourhood redevelopment should have three major objectives: (i) redevelopment of residential properties, (ii) facilitating further development of commercial ventures; and (iii) compensate subsidy required for the low growing areas from the higher growth areas.

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[2] Assessment Task Force, final report, September 2002: City of Winnipeg

Table 5:4 Revenues Growth Scenarios

Investment Environment		Tax Increments as Revenues			
Variables	Investment	Present rate	Higher Rate	Lower rate	No Growth
10 Yrs-Project[3]	5.24m	4.59m	4.59m	4.59m	4.59m
BCR[4]0		0.74	0.74	0.74	0.74
NPV (@5%)[5]		-1.100m	-1.100m	-1.100m	-1.100m
NPV (@7%7)		-1.216m	-1.216m	-1.216m	-1.216m
15 Yrs-Project[6]	5.24m	9.947m	10.580m	9.439m	7.409m
BCR0		1.90	2.02	1.80	1.41
NPV (@5%)		1.926m	11.344m	1.639m	0.062m
NPV (@7%)		1.214m	8.814m	0.984m	0.496m
22 Yrs-project[7]	5.24m	30.408m	36.526m	24.629m	10.208m
BCR0		5.80	6.97	4.70	1.95
NPV (@5%)		10.130m	11.344m	7.051m	1.643m
NPV (@7%)		6.993m	8.814m	4.841m	0.899m
BCR1	10.24m	2.97	3.57	2.41	1.00
NPV (@5%)		6.738m	7.952m	3.659m	-1.748m
NPV (@7%)		4.071m	5.891m	1.917m	-2.024m
BCR2	15.24m	2.00	2.40	1.62	0.67
NPV (@5%)		3.348m	4.559m	0.269m	-5.140m
NPV (@7%)		1.748m	2.968m	-1.006m	-6.494m
BCR3	20.24m	1.50	1.80	1.22	0.50
NPV (@5%)		-0.046m	1.167m	-3.123m	-8.532m
NPV (@7%)		-1.78m	0.044m	-3.930m	-7.840m

Notes:
BCR0= No Public Redevelopment Assistance after 2005
BCR1= $1m/year (2006-2010) Redevelopment Investments
BCR2= $2m/year (2006-2010) Redevelopment Investments
BCR3= $2m/year (2006-2010) Redevelopment Investments

The Residential 1 class of properties are growing faster than others, residential 2 has stabilized at a constant rate of growth, residential 3 is growing at a slow pace, while investment in the commercial properties already took off; total growth of assessment value represents proportionate growth of the property class's historic growth.

[3] From the year 2000 to 2009
[4] Benefit Cost Ratio
[5] NPV at 5 percent discount rate
[6] From the year 2000 to 2014
[7] From the year 2000 to 2021

The public funds invested in the West Broadway area through different supply side subsidies to assist in the conservation of the housing stock has started coming back to the Province and to the City in the form of property tax, education tax, and levies. By the year 2009, the total incremental tax added to the taxing jurisdiction would be little less than the total amount spent in the neighbourhood. From 2001 to 2009 the Province and City would collect education and municipal taxes in excess of $ 4.59m above the tax level for the year 2000.

If the amounts were borrowed from a financial institution for the same five-year time span as invested in West Broadway, the borrowing would yield a Benefit Cost Ratio (BCR: appendix 4) of 1.9. By the year 2014, after a 15-year project life, there would be a tax surplus of $9.947m. equivalent to the present value of $1.926m at 5% discount rate. This would yield a BCR of 1.41 and Net Present Value (NPV) of $0.062m even if the tax assessment and tax levels remained at the 2006 assessment year levels, and 5 percent discount rate. If the present trend of private investment continues and produces a lower growth (Table 4.10), the investment would yield a benefit cost ratio of 1.8 and NPV of $0.984m to $1.639m, depending on the discount rates (@5%-7%) applicable to the loan.

If the project life is extended to 2021, the present rate of growth would generate adequate incremental tax to invest $1m/ per year for five years from 2006 to 2010, and yield a BCR of 2.97 and total cash worth of $4.071 to $6.738 depending on the interest rates (5%to 7%).

If the investment can generate a higher profit level (Table 3.9), it would be able to generate adequate cash through incremental taxes sufficient for \$3m/year for five years from 2006 to 2011, yielding a BCR of 1.01 and BCR of 1.8.

Sensitivity of the Model

The return on investment in the above model is sensitive to:

- Initial Investment, amount of investment and starting year of the project in respect to the assessment year.
- Discount Rate, time Required by the projects to capitalize on the costs of property price.
- Impact of the investments to attract private investment to redevelop, reconstruct, and begin new construction in the neighbourhood

Feasibility of the Redevelopment Programs

The model presented in table 5.4 indirectly considers that the assessment value growth in the West Broadway is solely due to redevelopment assistance. In reality, the assessment value growth has other influences beside the public programs such as; real estate market indicators, inflation rate, interest rate and overall policy of the City and other levels of government.

The table 5.4 explains that the investment under the redevelopment programs was the best choice and it would have been financially feasible if a private investor under typical TIF program have had invested.

Feasibility of the TIF Initiated Redevelopment

The Tax Increment Financing method targets the feasible level of market price gain of the properties in shortest possible project life. The West Broadway neighbourhood is experiencing changes in its property prices, and there is indication that, this lower rate of growth is also indicating the initiating steps of gentrification.

The model in the table shows that the TIF method of financing is most likely feasible for West Broadway under certain conditions, but this may mean the loss of affordable housing in the community.

Summary of Future Trends

If the renovation, rehabilitation, repair, alteration, and replacement of the old property stocks continue with community building projects in the West Broadway, the growing trend of working professional population mix would continue for a period.

The sustained effort to stabilize the present trend would most likely turn West Broadway into a special neighbourhood with unique character.

Until the neighbourhood reaches its edge limit of services to offer, it is most likely to grow proportionately with the redevelopment efforts put forth in the community which will ultimately raise the property price.

The average assessment value growth in the future would depend on many variables; some are internal to the neighbourhood and many are external to the neighbourhood. In either circumstance, the past renovation assistance to the community has helped West Broadway become more economically efficient, and the area will remain so until an optimum point is achieved.

With the rise in average property price, a gentle rate of gentrification might have started. The rate of redevelopment should be between highest return and rate of palatable gentrification to prevent abrupt disruption to the supply of affordable housing in the neighbourhood.

Premise of Conclusion and Recommendations

Since the decline in federal funding for affordable housing after 90's, securing resources has been a major challenge in financing financially unfeasible projects in West Broadway. One of the objectives of redevelopment is to generate additional tax revenue for the City and as well as for the Province. Though the individual investment is unfeasible, total return from the neighbourhood is feasible. If a program can bring the neighbourhood together through a well-designed participation formula, support the community in terms of affordability, and transform the investment impact into financial form, the West Broadway can support its own development through TIF.

The Province has provided the City with greater power and flexibility to address local concerns and development. The new opportunity to finance redevelopment through TIF initiatives for the selected community development programs depends on proper operatives to utilize the scope. The City of Winnipeg can design and direct TIF redevelopment taking into consideration the short and long-term problems associated with the financing mechanism.

Conclusions

I. Feasibility of Renewal Program through TIF Mechanism:

The model developed in the third chapter shows that under certain conditions TIF financed renewal/redevelopment has a very good chance to succeed. Apart from financial planning, a TIF redevelopment plan will have an impact measured in terms of growth in Real Estate Market, and a perception of heightened confidence in the West Broadway which will attract redevelopment, and new construction.

The redevelopment planning should be an integral part of the development plan and policy of the City. The redevelopment plan eliminates infrastructure deficit within the redevelopment period[8].

A successful neighbourhood plan needs community participation. The West Broadway 'Neighbourhood Housing Plan 2001 to 2003' provides an action plan to achieve participation in the community, which is imperative to make a neighbourhood plan effective.

A TIF mechanism integrates the West Broadway neighbourhood planning elements along with the financing feasibility for the redevelopment of West Broadway.

The increasing property values and increased investment in the area are indications of the success of the public support and community partnerships; any future redevelopment program would stand on the present success. Any return on investment through the TIF method of financing should be shared with the early investments and carried forward to acknowledge the external components contributing to growth.

II. TIF and Affordable Housing Program

The redevelopment program made the neighbourhood more affordable to the new people, as it was evident from the fact that the personal and household income growth in the neighbourhood is fairly above average of the City. Anderson (Anderson, 2004) observes that the redevelopment program has accelerated the gentrification process. Most

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[8] Table 3.9: Stages of Development

of the redevelopment funding in West Broadway was obtained through the Affordable Housing Initiative for the poor. However, the gentrification that has occurred since utilizing the funding, might have failed to benefit a part of the target population. A palatable property price growth rate to ameliorate affordable housing and an economically feasible TIF project is to be designed for a successful TIF district.

III Integration of Development Initiatives With Tax Increment Financing

The present redevelopment assistance from the City and the province has both supply side subsidies and demand enhancing components. The Neighbourhoods Alive! program has it all, so does the Community land Trust program, Youth Builders, HOPE and some other programs. West Broadway has its limitations in offering to fulfil the changed demand of a higher income population. A TIF program is supposed to yield sufficient return to finance community economic development programs and address part of the gentrification. The rent control, construction of affordable housing from TIF gains, and slow return of infrastructure investment from City's capital budget for a stipulated period can delay the process of gentrification, and keep a supply of affordable units for a longer period.

The Chicago, Illinois, and Indiana experiences in housing through TIF, and NCBG[9] recommendations can provide guidance to design useful TIF for the redevelopment and provision of affordable housing in West Broadway.

[9] Neighbourhood Capital Budget Group (NCBG, 2001: 32)

Recommendations

I. Initiation of the TIF

The initiation of TIF based development started in Winnipeg with the enabling legislation introduced in the Winnipeg Charter Act 2004. The City of Winnipeg is authorized to establish TIF program for encouraging investment or development in the West Broadway area. Within the purview of the law the City can declare the West Broadway neighbourhood as TIF district through a detailed neighbourhood redevelopment plan and ask private investors to invest under terms of references abide by the laws to regulate private investors to achieve objectives of the neighbourhood redevelopment plan.

The TIF district has to define the degree of control by the province and the City over the district to ensure accountability, participation of the neighbours and share of the taxes from the district.

The City has to ensure consent from the school district and the province as they are loosing incremental taxes over the long-term redevelopment process.

The City's efficiency in its affairs asserting the reduced administration cost, therefore, steadily reducing tax rates. A TIF district plan should not hamper that program.

II. Adoption of TIF

A standardized public hearing process for the adoption of TIF district has to be legalized through an Act of legislature. The adoption process should include laws regulating development agreements between the City of Winnipeg and the private investors.

III. Need Assessment for TIF

The City has already done need assessment through Housing Policy and Housing Policy Implementation Framework. Financing for the neighbourhood redevelopment for the major improvement neighbourhood can be accepted as the justification for the adoption of TIF mechanism to finance the redevelopment.

To prevent widespread use of the financing method, the use of TIF should be limited to West Broadway as long as it takes to make investment economically feasible in the area.

A comprehensive feasibility study should be conducted before the plan adoption to prevent severe gentrification and alternative financing options for the redevelopment plan. The feasibility report should particularly look into the amount the school district is loosing, and the amount it is supposed to gain after the TIF designation is over.

IV. Implementation of TIF

The neighbourhood redevelopment plan and method of financing should constitute based on potential return on investment and pay back period required for the redevelopment plan.

The neighbourhood redevelopment plan should set objectives as a form of reporting to stakeholders. The implementation plan should conform to the existing development plan and zoning by law; any changes required should be identified before the district designation.

The TIF authorization by the province through legislation clarified the mode of financing. It provides a mandate to the City about creating a reserve fund from the tax increments and paying the costs of redevelopment from the reserve fund. The prescribed form of financing would require City's active participation to ensure timely and appropriate growth to accumulate Tax Increments.

V. Termination and Evaluation

TIF project is a long term venture. At the beginning it might appear on course, over time it might change, or over time it may no longer be required. Throughout the implementation period it must meet the public purpose requirement.

A TIF project must be completed on time to ensure incorporation of the natural growth. The project life has a significant relationship with the assessment years; it should carefully consider timing and impact of the projects.

The expected versus actual results from the project should be monitored and reported periodically in order to make any changes required to the plan.

Summary of Recommendations

TIF should have started when the area was blighted and property price was declining. Although the West Broadway is still not so attractive for residential development, it has recently been showing signs of feasible investment. The design of a TIF project for West Broadway has to increase public goods while protecting affordable housing provision alongside economic feasibility.

Legislative provision authorizing the TIF method for financing provides scope to regulate the cash flows and prevent outright opportunity to accrue all incremental taxes by the private investors.

The present form of supply and demand side subsidies and assistance programs may be successfully implemented using TIF principles, which warrants more research on the alternative methods of financing a growing neighbourhood.

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APPENDIX 1
PROPERTY TAX BASICS

In Canada, a principal part of municipal revenues are collected from property taxation. (Human Kinetics, 2001) Property taxes are levied on the assessed value of a person's property. The tax rate is the percentage of the assessed value of a property set earlier by the municipality to calculate property taxes. The fraction of property-assessed value in a municipality is used to distribute the tax burden on the properties across the municipality. Property tax can be calculated by multiplying the assessed value of a property by the municipal tax rate.

Property Assessment in Winnipeg

In Winnipeg, property assessment is a provincial responsibility, while tax collection is a local government responsibility (City of Winnipeg: Property Assessment, 2001-2004). The City assessor, who is the head of the Property Assessment Department, is responsible for organizing, planning and collecting property taxes for the city.
Chief Assessor, as a legislative officer, follows provincial legislation and is guided by the Municipal Assessment and City of Winnipeg Acts. The Chief assessor, reports to the chief financial officer and the chief administrative officer, and is politically responsible to the standing committee on fiscal issues of the City.

Property Assessment Value Changes

Property assessment or reassessment is the estimate of market values of businesses and personal homes and properties for distributing taxes fairly among the citizens of a municipality. The market value of property for assessment purposes is considered from the reference year, which is the year following the last general assessment year. For example, assessment based on 1999 market value of properties was used for taxation in 2002; similarly, assessment based on year 2003 won't be used for taxation until 2006.

Assessed Value Changes

Assessed value over time may change due to several reasons, such as, changes in market condition, changes in the subject property, changes in the neighbourhood and changes in the zoning.

In the assessment period, changes in the prices of services and commodities are not reflected, though property value is most likely to change following changes in the commodity market.

Any changes in a property through improvement or renovations, such as, adding a deck, improving the basement, adding a wash room or any other activity that adds value to the property might cause changes in its assessed value.

Improvements or deterioration within a neighborhood, new school, parks, sidewalks or any other improvements in the neighbourhood might cause a rise in the value of a property and hence its assessed value.

Changes in the zoning from one use to the another,such as from residential to commercial zoning of the area, may also have an impact on the value of a property.

Mill Rate, Portioning and Municipal Property Tax

The mill rate, is the tax rate expressed as mills per dollar. The "mill rate' is a Latin word for thousand; mill rate is one thousandth of a dollar of each portioned assessed value of a property. The mill rate is determined by the city taking the total amount of money that they need to collect from the assessed value of the properties to meet the cost of services provided by the city. For example, if the city needs to collect $1,000,000 from a total $500,000,000 assessed value of the city properties, it would produce a mill rate of 0.002 or two mills.

Portioning is the taxable portion of the assessed value of property. For example, if assessed value of is property $100,000 and the portioning rate is 40%, the taxable portion of the property is $100,000x 40% = $40,000.The mill rate is set by the city, while the province sets the portioning rate. Current portioned rate for residential property in Manitoba is set at 45%.

In the spring of each year, municipalities, school divisions and Manitoba Education and Youth, determines the amount of taxes needed for their yearly programs. An increase in the assessed value of ones property does not necessarily mean a corresponding rise in property taxes, but rising cost of education and municipal services would cause a higher budget, so does the total tax requirement. If municipal services cost remains the same but property values rise, governments would lower the mill rate to keep the total taxes from properties unchanged.

Tax Liability and Exemptions

Tax liability varies according to ownership and use. Municipal and property taxes are applicable to properties with tax code “T”. The “S” coded properties are exempt from school levies, whereas “E” coded properties are exempt from all taxes but local improvement levies. “G” coded properties pay a grant in lieu of the taxes, while “N” coded properties are exempt from taxation, but pay grant in lieu of taxes except the school levies.

Residences, shops, and clinics fall under taxable property code "T". local community halls, non-profit personal care homes are coded "S", churches, hospitals, and schools are coded "E", Manitoba Hydro and RCMP[1] detachment are coded "G" and a government owned personal care home is coded "N".

Property Tax in Winnipeg

In the City of Winnipeg, the municipal mill rate, provincial levy on residential and other properties all across the city is same, but individual school division levies vary across the City.

For example, residential property taxes are calculated as follows:

Tax Status Cod: Taxable

Property Class: Residential 1

Portion % = 45

Assessed value = $100,000

Portioned assessment = 0.45x 100,000 = $45,000

Mill Rate for the year 2004 = 29.686

Municipal Tax = 29.686/1000x45,000 = $1335.87

Local Improvements = 130.00 (say)

School Taxes

Mill rate (River East Transcona, Varies with the districts) =

25.969/1000x$45,000= $1168.61

[1] Royal Canadian Mounted Police

Provincial Education Support Levy

Mill rate = 4.549

Education Support Levy = 4.549/1000x $45000 = $ 204.71

Therefore,, a rise in property values may not raise the amount of taxes collected from a neighbourhood combination of property classes plays a vital role to ensure desired growth incremental taxes in an area under TIF.

Appendix 2: Different Rates to Calculate Taxes

Portion Values %						Mill Rates Per Thousand			
							Education Support		Special Education Levy
Year	**Residential 1**	**Residential 2**	**Residential 3**	**Institutional**	**Others**	**General Municipal**	**Residential**	**Others**	
1992	47	68	33	65	65	34.284	9.141	20.475	22.003
1993	45	64	34	65	65	36.257	9.141	20.522	23.701
1994	45	64	35	65	65	31.538	7.945	18.459	20.454
1995	45	61	37	65	65	32.342	7.966	17.969	23.641
1996	45	57	38	65	65	32.342	7.935	18.232	22.615
1997	45	57	39	65	65	32.966	7.939	17.969	23.641
1998	45	53	41	65	65	33.479	7.926	17.984	25.153
1999	45	49	43	65	65	33.479	7.909	17.800	26.264
2000	45	49	43	65	65	32.809	7.898	17.666	26.753
2001	45	45	45	65	65	32.140	7.913	17.834	27.243
2002	45	45	45	65	65	29.686	6.669	17.031	27.211
2003	45	45	45	65	65	29.686	5.27	16.575	28.693
2004	45	45	45	65	65	29.686	4.549	16.607	29.953
2005	45	45	45	65	65	29.686	2.413	30.923	30.923

Source: Property Assessment Department Data Compiled by Author

Appendix 3: Average Property Price Growth

Table: Average Unit Price and Growth of Property Price from 2001 to 2006

	2001	2002	2003	2004	2005	2006
Young St.						
Res1	31834	28524	34192	29815	31187	41298
		-10.40%	19.87%	4.53%	9.34%	44.78%
Res2	13331	12779	12428	12459	11954	11797
		-4.14%	-2.75%	-2.51%	-6.46%	-7.69%
Res3	34690	24310	25190	22860	30770	37960
		-29.92%	3.62%	-5.96%	26.57%	56.15%
Others	70300	66600	66600	66600	66600	100650
		-5.26%	0.00%	0.00%	0.00%	51.13%
Spence St.						
Res1	47124	41249	41052	41626	41674	54353
		-12.47%	-0.48%	0.91%	1.03%	31.77%
Res2	14628	12831	12405	12405	12405	12955
		-12.28%	-3.33%	-3.33%	-3.33%	0.96%
Res3	45100	28800	28800	28800	28800	37600
		-36.14%	0.00%	0.00%	0.00%	30.56%
Others	42650	41250	41250	41250	41250	68500
		-3.28%	0.00%	0.00%	0.00%	66.06%
Sherbrook St						
Res1	51687	41921	38479	38479	40157	49943
		-18.89%	-8.21%	-8.21%	-4.21%	19.13%
Res2	15236	13645	13645	13645	13645	13806
		-10.44%	0.00%	0.00%	0.00%	1.18%
Res3	85753	72513	71867	71867	71867	105450
		-15.44%	-0.89%	-0.89%	-0.89%	45.42%
Others	148011	264179	231901	231901	219012	254306
		78.49%	-12.22%	-12.22%	-17.10%	-3.74%
Portage Av.						
Other	679600	949400	797460	848200	796840	943860
		39.70%	-16.00%	-10.66%	-16.07%	-0.58%
Maryland St.						
Res1	40685	31255	30495	30495	30495	38167
		-23.18%	-2.43%	-2.43%	-2.43%	22.11%
Res2	16151	16151	16151	16151	14731	14188
		0.00%	0.00%	0.00%	-8.79%	-12.16%

Source: Property Assessment values compiled by author

(Continued to the next page)

Table : Average Unit Price, Average Unit Property Price and Year							
		2001	2002	2003	2004	2005	2006
Langside St							
Res1		37445	35229	34668	37206	38128	50153
	Growth		-5.92%	-1.59%	5.61%	8.23%	42.36%
Res2		11694	12822	12294	11153	11153	12964
	Growth		9.65%	-4.12%	-13.02%	-13.02%	1.11%
Res3		62370	48430	40940	40940	40940	55380
	Growth		-0.22	-0.15	-0.15	-0.15	0.14
Furby St							
Res1		48859	45939	45599	52189	48658	60991
	Growth		-5.98%	-0.74%	13.60%	5.92%	32.76%
Res2		13042	14175	14175	13301	12921	13727
	Growth		8.69%	0.00%	-6.17%	-8.85%	-3.16%
Res3		64567	59479	59479	59479	58004	79675
	Growth		-7.88%	0.00%	0.00%	-2.48%	33.95%
Cornish Av							
Res1		68400	50800	50800	50800	50800	98150
	Growth		-25.73%	0.00%	0.00%	0.00%	93.21%
Res2		20917	21854	21854	21854	21854	21363
	Growth		4.48%	0.00%	0.00%	0.00%	-2.25%
Colony St							
Res1		60275	56300	56300	56300	56300	78400
	Growth		-6.59%	0.00%	0.00%	0.00%	39.25%
Res2		13630	13615	13615	13615	13333	14467
	Growth		-0.11%	0.00%	0.00%	-2.07%	6.26%
Others		634000	1027000	1027000	1003000	1208000	1208000
	Growth		61.99%	0.00%	-2.34%	17.62%	17.62%
Balmoral St.							
Res1		50118	43882	44857	44857	45021	56765
	Growth		-12.44%	2.22%	2.22%	2.60%	29.36%
Res2		15578	15595	15595	15154	15154	15400
	Growth		0.11%	0.00%	-2.83%	-2.83%	-1.25%
Others		108500	129325	125825	125825	125825	141550
			19.19%	-2.71%	-2.71%	-2.71%	9.45%
Broadway Av							
Res1		78383	79033	79033	79033	65833	79167
	Growth		0.83%	0.00%	0.00%	-16.70%	0.17%
Res2		12114	12055	11249	11249	11249	14302
	Growth		-0.49%	-6.69%	-6.69%	-6.69%	18.65%
Res3		74560	68800	64270	64270	64270	69960
	Growth		-7.73%	-6.58%	-6.58%	-6.58%	1.69%
Others		193718	298538	278447	269629	262471	303262
			54.11%	-6.73%	-3.17%	-2.65%	15.54%

Source: Property Assessment values compiled by author

Appendix 4

BCR: Benefit Cost Ratio
Benefit = Revenue Earned as Incremental in excess of the year 2000 value level discounted at 5% to 7% rate
Cost: Investment made for the redevelopment of West Broadway by the City of Winnipeg and the Province of Manitoba

NPV: Net Present Value = $1/(1+i)^n$

i = Discount Rate,
n = Number of years