

**Tax Increment Finance: The legislative romance between the Municipal
Government and Winnipeg Stakeholders**

By

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Abstract

This research explores the effectiveness of Tax Increment Financing (TIF) as a financial tool to stimulate residential and commercial development in downtown Winnipeg. Cost is a commonly cited barrier to developing downtown, resulting in deteriorating and vacant city centers. TIF can remove some of the financial barriers to development, ultimately revitalizing downtown and benefitting the community as a whole. A comprehensive literature review was used to inform unstructured interviews with urban planners, developers, and various city officials to determine how TIF could be effectively implemented to revitalize Winnipeg's downtown. Examining precedents from Winnipeg and across North America highlight the positive and negative impacts of TIF, as well as its promotion as a tool for urban renewal. TIF is an effective method of increasing property values, and encouraging development in priority areas. Tailoring present TIF methods to local conditions can help avoid increasing property taxes, wrongful use of land expropriation, or insufficient revenue generation.

Keywords: Tax increment finance, financial tools, downtown revitalization, development, urban renewal, planning

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List of Acronyms

BILD	Building Industry and Land Development Association
CIP	Community Improvement Plans
CMLC	Calgary Municipal Land Corporation
CRL	Community Revitalization Levy
DC	Development Charge
DRDGP	Downtown Residential Development Grant Program
EAD	Edmonton Arena District
HCTC	Heritage Conservation Tax Credit
LEED	Leadership in Energy and Environmental Design
SHED	Sports, Hospitality, and Entertainment District
TIEG	Tax Increment Equivalency Grant
TIF	Tax Increment Finance

“The challenge of building economically sustainable local communities that will attract and maintain businesses, jobs, and residents is one that all municipalities face. However, with a little creativity and the right incentive or partnership arrangements, municipal governments can leverage a number of tools to revitalize their communities, attract and retain jobs, and make their communities better places to live” (Mullin, 2011, p. 26).

Chapter One: Introduction

1.1 Background

Tax Increment Financing (TIF) represents an economic development method used by municipal governments around the world in order to fund economic growth in specific areas. TIF is used when economic growth in a particular geographic area would otherwise not occur (Smith, 2006). When property is selected to be a TIF district, the property tax collected by local taxing bodies is frozen at the assessed property value at the time of designation. As the properties in the TIF district are redeveloped and transformed over time, the assessed value of those properties increases, creating an incremental increase in the total amount of property tax revenue generated within the district (Smith, 2006).

When the debt assumed by the city expires, the total property tax revenue (baseline and incremental tax increases) is again shared by all the various taxing entities with an interest in the TIF district. It is this anticipated increase in the property tax that is then used to finance development in the TIF district. TIF designation ranges from 10 to as much as 27 years in Wisconsin (Smith, 2006, p. 23).

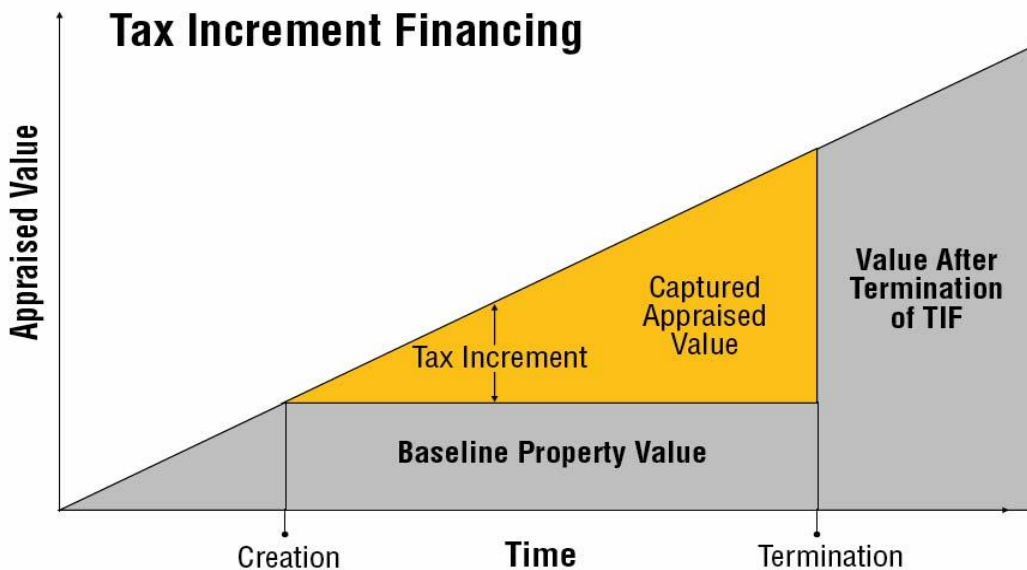


Figure 1: Tax Increment Finance Graph. From <http://bettercities.net/sites/default/files/value-tif.jpg>

In Winnipeg, the designation length differs with each project, but the longest designation currently in place is for fifteen years, with another fifteen-year option to extend (Research participant 7).

The state of California first applied TIF in 1952. The purpose of TIF remains much the same today: to encourage investment and development in urban areas. Although TIF was (and still is) used extensively in California, widespread expansion of TIF to other states did not occur until the late 1970s and mid-1980s (Bryne, 2005). By 2003, all fifty states had implemented TIF laws (Tomme, 2005). One of the reasons for the increase in implementation in the late 80s and early 90s was that American cities were receiving only small federal funds to combat urban decay (Davis, 1989).

In Canada, Calgary, Alberta was the first city to adopt TIF in 2005 for the redevelopment of the Rivers district in central Calgary (Finance and Administration Committee Regional Council Meeting, 2005). Shortly thereafter, Ontario incorporated TIF into their statute (Government of Ontario e-Laws, 2006). Manitoba announced the adoption of TIF in 2009 (Knight, 2012).

TIF may be implemented to correct market failure in a specific region of a city, or to redevelop an area that has been labeled as “blighted.” TIF also enables cities in need of intensification to finance new development with very little capital. This appears to be the main reason why Winnipeg implemented this type of financing model in the hopes of promoting downtown growth.

Many claim that downtown Winnipeg has the potential to become a more vibrant and dense city through the development of both residential and commercial projects. Since land values are expensive in the downtown core, the use of TIF may offer the

potential to help the city in conjunction with developers to undertake projects otherwise perceived as unprofitable or unfeasible.

1.2 Research Questions

The thesis is driven by the following research questions:

1. What precedents for TIF in the United States and elsewhere in Canada may have application in the Winnipeg context?
2. To what degree has TIF already been implemented in Winnipeg, how effective has it been, and what future plans are there for TIF?
3. How can planners and the planning profession influence the positive development of TIF into a stronger, more effective, financial tool?

1.3 Importance of Study

Findings from journal articles and other sources show how TIF has very differing impacts on numerous stakeholders. However, there appears to be a lack of scholarly information regarding how TIF is created, implemented, and regulated in Canada. No study (identified to date) has explored this viewpoint. There are numerous external factors and influences that make it very difficult to foresee what impact TIF will have on a given area over a specific period of time. Furthermore, there are no studies available in Canada to show the long-term effects of TIF, given that it is a relatively new financial method presently legislated in only three provinces. These issues may contribute to the apparent “timidity” that other cities and provinces may have when deciding whether or not to implement TIF. Economists can run their numbers, and case studies can be reviewed, but the full impact cannot be determined – either good or bad – until long after TIF has been implemented. Even with more stringent statutes in place and clearer

definitions of blighted areas, there is still room for interpretation. In the process of conducting research for this thesis, it became clear that TIF is a very specific form of financing not to be used expansively and carelessly. The implications and potentially unintended consequences can extend well beyond the duration of the tax increment life cycle.

1.4 Assumptions and Limitations

The study sought to select a wide range of research participants from a variety of backgrounds and professions in order to gain the most relevant information. However, due to time restraints and project scope, some potentially important research participants may have been excluded. It is assumed that the research participants in this study serve to represent the voices of other professionals in their specific specialty or line of work.

Another limitation encountered with this study, is that there are no TIF projects in Canada that have reached completion, making it impossible to research the long-term effects of this particular financial tool within Canada. Secondly, Canada and the United States have different governmental structures and this poses as a limitation when trying to accurately compare TIF use in Canada versus the United States. Thirdly, research discussed in the literature review mentions numerous United States and Canadian cities that are located in different geographical regions, have different populations, and diverse economic health. These factors, amongst many others, affect how accurately the research from different cities can be compared and contrasted. Lastly, the uses of TIF in both Canada and the United States range from projects focused on infrastructure and urban renewal, to streetscaping and cultural enrichment, so TIF is unique with every application, making it more challenging to draw comparisons across the board.

Chapter 2: Research Methods and Analysis

2.1 Introduction

This thesis employs two forms of research: a) a comprehensive literature review and b) unstructured interviews.

2.2 Literature Review

A literature review demonstrates the essential theories, arguments and issues in the field and outlines the ways in which others have undertaken research. A literature review also provides important background information on the topic at hand, educating the reader on its importance and relevance (Gray, 2009). The literature review for this thesis includes precedents from cities that have implemented TIF in the United States and Canada. The literature review sought to provide an understanding of TIF, its significance, structure, successes, and challenges, and to identify potential future research directions. While gathering articles and information to include in the literature review, it was important to constantly cross-reference the information with the research questions in order to make sure that the scope of the research was not too broad nor too narrow. This form of research method allowed for parallels between theory and information from numerous sources to be complemented with information gained from the unstructured interviews.

2.3 Unstructured Interviews

The purpose of conducting unstructured interviews for this thesis was to gain insight on another person's perspective. The advantage of utilizing this method of research is that it allows the researcher to gain insight from the interviewee without being constrained by a narrow list of questions. Qu and Dumay's (2011) article *The Qualitative*

Research Interview, states that the research interview is “one of the most important qualitative data collection methods” (p. 238). This style of interview requires intensive listening, detailed note-taking, and careful planning in order to collect useful data for research purposes. Similarly, Rubin and Rubin (2005) believe that interviewing requires “a respect for and curiosity about what people say, and a systematic effort to really hear and understand what people tell you” (p. 17). Kvale (1996) considers the art of interviewing through metaphors – one is that a research interviewer is viewed as a “miner” who searches for “nuggets of essential meaning” (p. 48). While Kvale (1996) alludes to finding nuggets of essential meaning, it must be remembered that the unstructured interview process requires a natural flow without using too much force, like trying to unearth diamonds from coal.

One of the greatest advantages of unstructured interviews is that they allow the interviewer to:

remain open to new and unforeseen phenomenon rather than imposing ready-made frameworks or categories. Although the interview is unstructured, it focuses on particular themes. Thus, the research interview is an enriching experience for interviewees, who through dyadic interplay with the interviewer, obtain new insights into their life world and the research theme (Kvale, 1996, p. 32-33).

This notion holds true for Greene (1998) as he states in a similar vein that the main purpose of open-ended interviews is not to put ideas in someone’s head with pre-planned questions, but to access the perspective of the person being interviewed. As researchers, it is pertinent to remember that we become part of the interactions and conversations between interviewer and interviewee. Therefore, it is wise for researchers to be aware of the following three principles while conducting interviews: maintain the flow of the

interviewee's story, maintain a positive relationship, and avoid interview bias (Qu & Dumay, 2011).

In conclusion, it must be remembered that the ability for researchers to be objective is questionable, as we are all “products” of the time and context in which we live (Gray, 2009). Interviews do not offer completely neutral data, therefore the outcomes from this form of research method were ultimately based on participants' willingness to share information and what specific information they chose to share.

2.4 Working with Data

A total of eleven unstructured interviews were conducted, with professionals from various backgrounds including: planning, development, real estate, city officials, provincial officials, other city organizations, and a university professor specializing in the study of TIF in the United States. The interviewees were identified by work colleagues, university professors, and by researching certain individuals' involvement with TIF by way of networking. Research participants were selected based on the organization they worked with and their role within the organization at the time the study was conducted. Some of the research participants had direct experience with TIF, while others were involved with the broader implementation of the financial tool. The main goal of the selection criteria and process was to gather a variety of perspectives by selecting research participants that could inform the research topic and help answer the three main research questions at hand. The interviews ranged from twenty-three minutes to fifty-four minutes in length. Six of the interviews were conducted face-to-face at the interviewee's place of work in a boardroom, while the remaining five were conducted over the phone. All of the interviews were recorded and complementary notes were taken while conducting the

interviews. The interview method was important for this study, in particular, as it focuses on the implementation of TIF in the Canadian context. The discussions derived from the three main research questions (outlined in section 1.2) and from research gained from the literature review on the use of TIF in the United States. By obtaining this information, a critical analysis of TIF in Canada revealed its structure, strengths, weaknesses, and what direction TIF appears to be taking for the future. The coupling of the literature review and unstructured interviews produced suggestions concerning the future use of TIF, to maximize the benefits to numerous stakeholders in Winnipeg and minimize the negative outcomes associated with this form of financing.

2.5 Ethics

In order to assist in answering the research questions, an array of people were interviewed from Manitoba, Ontario, Alberta, and Chicago – all having played a role in the formation, implementation, research, and use of TIF. These interview participants did not fall under the vulnerable group category outlined by the Research Ethics Board at the University of Manitoba. Furthermore, unstructured interviews with the specific group of participants had a relatively low level of ethical concern. Nevertheless, risks for the participants in the research were identified, and the balance between risk and benefit were evaluated. All of the interviews were conducted in accordance with the core principles of Tri-Council Policy Statement (Government of Canada, 2012).

Research participants were identified and contacted by email before each and every interview with the same email/phone script template (See Appendix A). The email included an attached Project Backgrounder (See Appendix B) outlining the study and the Informed Consent Forms (See Appendix C) required by the Research Ethics Board at the

University of Manitoba. Before each interview, the participants were briefed and confirmation was received that they had read the Project Backgrounder prior to the interview. The participants were made aware that they may withdraw from the interview at any time, without having to give reason. Confidentiality and anonymity was maintained by removing the interviewee's names from all material and interviews were labeled generically for confidentiality. The interviews were recorded for later transcription and analysis; notes were also taken during the interviews. The process involved in collecting all the information was kept confidential and there was no use of participant names during the process and no use within this thesis. All of the information was and is kept in a secure and private place to ensure confidentiality (Government of Canada, 2012).

Chapter 3: Tax Increment Finance (TIF)

3.1 Introduction

The literature review includes precedents from the United States and Canada illustrating the positive and negative effects TIF has had on cities in the past and the lessons learned through its implementation. This information has been gathered from academic journal articles, books, and online sources. The research is organized under two main sections; the advantages and disadvantages of TIF as a financial tool. Sub-headings within the main sections organize the research further.

3.2 Advantages of Tax Increment Finance (TIF)

Three main advantages of TIF emerged from the research:

- 1) Flexibility: TIF can be custom-tailored to suit the municipality or district utilizing it,
- 2) Value Generation: TIF can effectively increase property values, and
- 3) Catalyst: TIF can spur new development and provide the means to augment infrastructure in needed areas.

1. Flexibility: Customized to suit the municipality or district

One of the biggest advantages of TIF is that it can be tailored to the city and area in need of development. It is a very flexible financial tool, unlike other more rigid funding policies. Eickhoff (2012) agrees and reveals the numerous benefits of TIF, one of which is the flexibility to tailor the TIF to specific developments. “TIFs vary among municipalities because program goals are different in each location” (Eickhoff, p. 8). Over the years, municipalities have developed creative approaches for the use of TIF, as the economy continues to struggle. Eickhoff (2012) illustrates this by describing a creative use in Portland, Oregon where TIF is used to fund the development of the arts.

While many people may think of TIF solely for the use of infrastructure-related projects, many areas have enlarged their types of use. One inflexible rule is that “although TIF proceeds may be used to fund a variety of projects, the actual use of funds is restricted by state law” (Eickhoff, 2012, p. 7). Generally, the TIF funds are used for property acquisition, rehabilitation of existing buildings, construction, financing costs, professional services, and demolition and site preparation (Eickhoff, 2012). Furthermore, “TIF benefits the city by allowing it to avoid the red tape and delays of intergovernmental aid” (Davis, 1989, p. 64). This is true if the city has implemented a Tax Increment Finance Act, and there may be regulations outlined in the act that make the implementation of TIF more difficult in certain locations. TIF must be authorized and implemented by a state (or provincial) government, before a municipality can use it.

In Toronto, Ontario, the Planning Act for Community Improvement Plans (CIP) was passed in 2006, and states that financial tools can be used to:

construct municipal infrastructure or amenities to assist in the redevelopment or intensification of previously developed areas; or the development of an urban growth centre identified in a growth plan under the Places to Grow Act, 2005; or to undertake environmental remediation of land in a previously developed area; or to construct a municipal public transit facility (RCI Consulting, GSP Group & Enermodal Engineering, 2009, p. 19)

Since the creation of the CIP by-law in Ontario, only two projects (both located in Toronto) have been designated as pilot projects by the Province. First, is the subway expansion involving York Region and the City of Toronto. Second, is the brownfield redevelopment of West Don Lands, which is part of Toronto’s waterfront revitalization project (RCI Consulting et al., 2009). Even though both the Scarborough subway extension and Don Lands projects have received pilot project approval, the actual TIF legislation has yet to be formed. Another limitation in the Ontario’s Planning Act under

section 28 is that the amount of the municipal tax increment that the municipality expects to use in any given year to finance specific projects in the TIF district cannot exceed 1% of all the property taxes, which are expected to be raised in the municipality that same year (RCI Consulting et al., 2009). This can also be viewed as a built-in precaution so that overspending of accumulated TIF funds doesn't happen.

In Calgary, Alberta, Provincial Legislation allows municipalities to use a form of TIF known as the Community Revitalization Levy (CRL). This permits municipalities to impose a property tax on the incremental assessed value of property in a community revitalization area. This revenue is then used to pay for infrastructure and other costs associated with the redevelopment of property in the community revitalization area (similar to a TIF district). Municipalities can issue debentures to cover the costs of redevelopment and use the taxes collected on the increased assessed value to repay the debenture (Province of Alberta, 2006).

In Winnipeg, Manitoba, the "Community Revitalization Tax Increment Financing Act" came into effect on November 1, 2009 (Government of Manitoba, 2009). The main reason why the city implemented TIF was to spur development in downtown Winnipeg. The *Complete Communities – An OurWinnipeg Direction Strategy (2011)*, references that:

[d]owntown intensification and redevelopment makes efficient use of land and makes the best use of existing infrastructure. It provides for options that enable active transportation alternatives. Downtown's transformation will reflect its importance as the city's preeminent complete community. In so doing, downtown will offer an unparalleled urban environment and a high quality of life for all who choose to live, work, visit, learn, play and invest there (p. 15).

In the spring of 2011, the City and Province partnered with CentreVenture Development Corporation, which assists with any development occurring in downtown Winnipeg, most notably, the development of the Sports, Hospitality and Entertainment District (SHED).

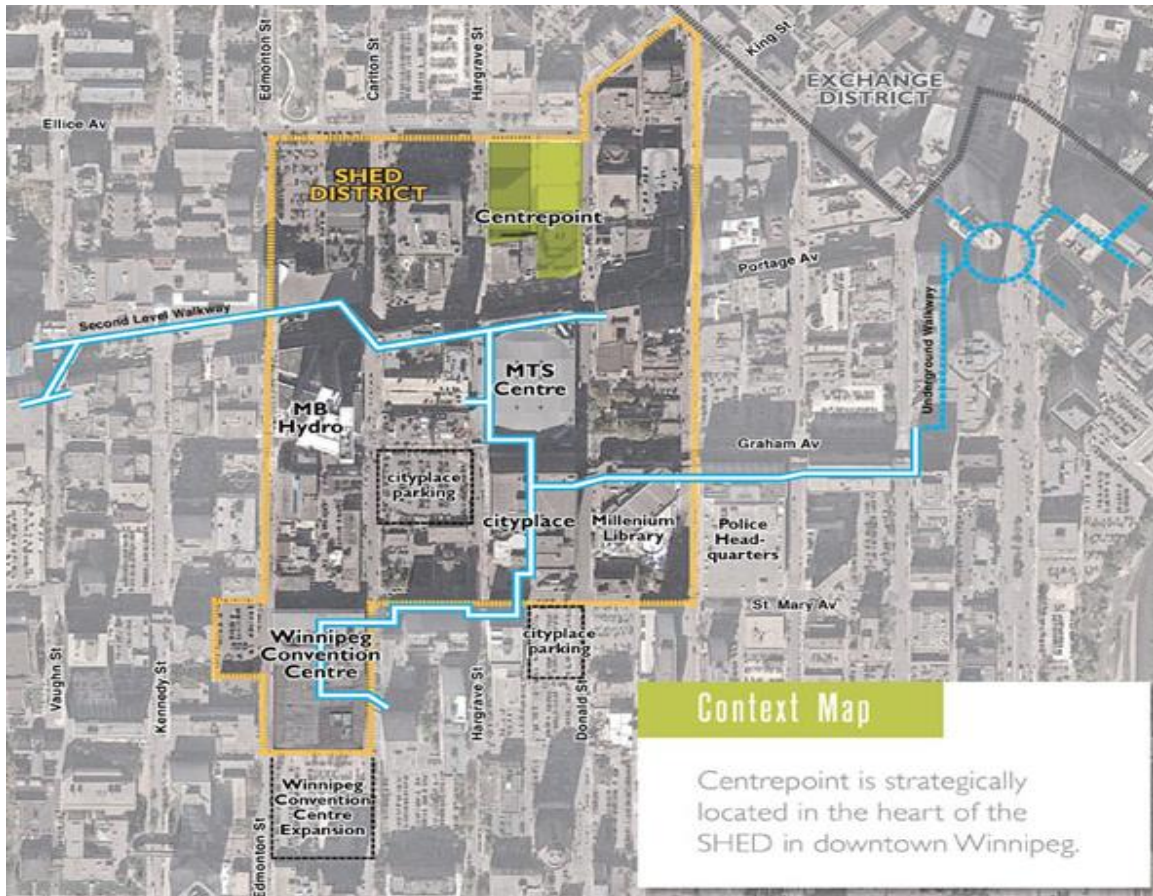


Figure 2: SHED map. From: <http://centrepointhewinnipeg.com>

CentreVenture is a development corporation established by The City of Winnipeg to achieve the economic, physical, social revitalization of downtown Winnipeg in accordance with the vision of CentrePlan (Complete Communities, 2011). The SHED encompasses an 11-block radius downtown, including Longboat Development Corporation’s \$75 million redevelopment plan to build the Alt Hotel and Glasshouse condominiums, in partnership with the Germain Group and Urban Capital, respectively.

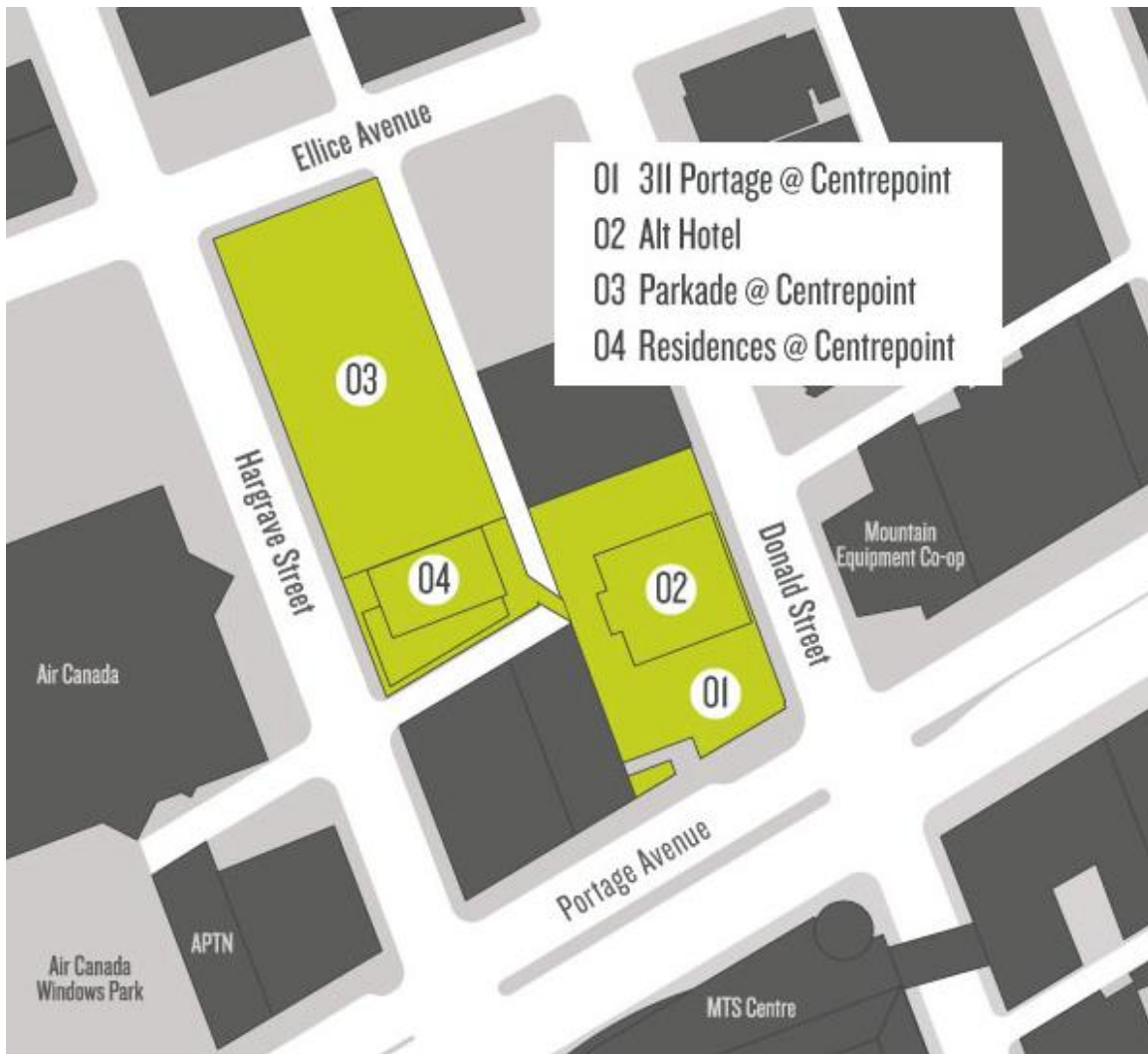


Figure 3: Centrepoint Development within SHED. From: <http://centrepointhewinnipeg.com>

TIF projects in Winnipeg are currently in place for 5-15 years, with an option to extend some of the projects another 15 years. The Act states that a TIF designation cannot exceed 25 years (Government of Manitoba, 2009). Under the Municipal Act, the TIF legislation gives full authority to the City of Winnipeg to administer TIFs. This plays into the flexibility and ease of implementation – which is similar, in this regard, to most of the United States state statutes researched (Knight, 2012).

However, there are a couple of differences with Winnipeg's TIF and those generally found in the United States. First, to qualify for TIF, developers do not need to

show that “private funds are lacking in sufficient quantities to finance the redevelopment of the property in question, whereas in many cases in the United States developers have had to show this” (Knight, 2012, p. 2). This principle called the “but for” test, which will be discussed later on in this thesis, is a tool that helps to determine if the redevelopment of a specific property would not occur without the implementation of TIF.

Furthermore, Manitoba’s TIF Act does not state that the area needs to be classified as “blighted” before it can be eligible. The Act has two main criteria, that there only needs to be a belief that “(a) significant improvements to the property are to occur; and (b) it is in the public interest that these improvements are to be made” (Knight, 2012, p. 2). The second criterion raises the question of what type of public participation (if any) is present in the decision-making process? Discussions surrounding this question will be featured in Chapter Four: Findings and Analysis. Overall, the Manitoba Community Revitalization and Tax Increment Financing Act is written as a glass half full, so that CentreVenture and its partnerships with public and private firms can use TIF as financing tool to (re) develop downtown Winnipeg.

In the United States, VanDyke (2011) discusses how one of the most attractive features of TIF is the municipality’s ability to better control the decision-making process. Even though it is governed by state statute in the United States, the control of the actual project remains almost entirely in the hands of the local municipality and the appointed TIF regulator, which is very similar to the City of Winnipeg. This broad control allows local municipalities to start TIF projects, solicit proposals from developers, establish TIF boundaries, and oversee the project (VanDyke, 2011). However, as we will see in the “disadvantages” section of the thesis, although “this control is an enticing benefit,

municipalities must remain grounded and cautious because with such power, comes great responsibility” (VanDyke, 2011, p. 798). VanDyke (2011) further states:

[t]here are two essential questions that should be answered by every TIF commission. First, would the development of an area have occurred without the tax incentives, and second, are the companies being attracted as “flagships” to lead the desired redevelopment appropriate recipients of these benefits. In other words, do these companies even need these tax incentives in order to be attracted to come to the area (p. 800)?

There is a lot of backlash from small businesses and the general public; they feel that unfair advantages are being given to multi-million dollar companies who do not need financial assistance. Furthermore, when these big-box stores, or large national companies move into the neighbourhood, the small local business environment is compromised. Three main suggestions are made for a ‘healthy’ implementation of TIF to avoid possible negative effects: proper screening of all parties involved with the TIF district, reporting standards that developers must abide by, and contractual protections of TIF commissions, developers, and their projects (VanDyke, 2011).

Reese (1993) focuses on local economic development tools and techniques in the province of Ontario, and the state of Michigan. Early research on TIF focused almost entirely on cities in the United States, and the study of economic development practices in Canada has especially been limited. Reese (1993) doesn’t focus on the flexibility of the actual implementation of TIF like Eickhoff (2012), Davis (1989), RCI Consulting et al. (2009), and VanDyke (2011), but suggests that the power of the tool lies in municipalities using it in conjunction with other financing methods.

For Reese’s (1993) study, a detailed questionnaire was created and sent to economic development directors in 138 cities in Ontario and Michigan. Economic development officials were asked whether they employed any of the 57 different

techniques classified into five categories: marketing activities, governance tools and public infrastructure investment, governmental regulations, land and property management activities, and financial tools. The findings showed that Ontario cities are more likely to rely on financial incentives, such as tax abatements, downtown development authorities, and tax increment finance (Reese, 1993).

Since Ontario and Michigan use similar incentives, Reese concludes that variation in the frequency of use of different techniques is not due to national (Canadian versus United States) differences, but in the state/provincial enabling legislative frameworks. Even though this article is dated, it offers a basis for further studies of how TIF is actually implemented in Canada. One of the main goals of my research is to take the lessons learned in the United States and to provide suggestions for successful implementation of TIF in Canada. This research taps into the notion that the governmental framework plays a key role in how and what financial tools are used to stimulate growth.

2. Value Generation: TIF can increase property values

Weber, Bhatta, and Merriman (2007) look at the effects of TIF on housing prices within and near TIF districts. “Houses located near mixed-use districts appreciated more than those further away” (p. 280). TIF has been applauded for the rapid appreciation of nearby residential properties. In Illinois and some other states, TIF district designation requires that a sufficient number of properties in the area be categorized as “blighted.” Therefore, if vacant land, deteriorated buildings, and abandoned structures are converted to productive uses, neighbouring properties will be favorably influenced (Weber et al., 2007).

Another study looks at how talks of a proposed development site influence property values. Immergluck's (2009) study set out to identify if the announcement and publicity around the proposed Atlanta Beltline TIF and associated redevelopment, would result in an increase of residential property values (even before the TIF was adopted and before any development commenced). Two main hypotheses exist; first, that TIF causes changes in real estate values, and second, that changes in values would have occurred without TIF. By examining home sales from 2000 to 2006, the paper identifies increased pricing for real estate in various geographic regions around the Beltline (Immergluck, 2009). There were indeed substantial increases in premiums for homes near the lower-income parts of the Beltline TIF district between 2003 and 2005, corresponding to the commencement of the media coverage. This strongly suggests that planning for the Beltline injected strong speculation and the commencement of gentrification, giving way to increased real estate prices (Immergluck, 2009). When a TIF district moves into a more affordable area, it has the ability to raise prices and attract more development thereby pushing people out of their once affordable rentals or owned homes. Immergluck's (2009) study shows both a positive effect – increased real estate value – and negative effect – increased property taxes. Unfortunately, there is a positive correlation between the two and, usually, with increased property values, come reassessments, followed by an increase in property taxes.

Smith (2004) comprehensively examines the impact of TIF designation by the municipal government on the local real estate market in Chicago, Illinois. He illustrates this by using recorded sales of attached, single-family properties from 1992-2000. The few studies that have looked at the effect of TIFs on real property values focused on the

impacts that can be observed in aggregate across the entire municipality or neighbourhood. Smith's (2006) study showed that a TIF designation does have a positive relationship with the Chicago multi-family real estate market over the period under observation. "Appreciation rates within TIF districts exceeded those of properties outside TIF boundaries, and the designation of TIF districts stimulates market value increased in areas that are ultimately designated TIF districts" (Smith, 2004, p. 35). Chicago is a great example of TIF as it has more than 130 established TIF districts, which account for 29% of the city's total acreage (Smith, 2006). This study provides detailed calculations that could be implemented in the Canadian context, if future studies wanted to take a closer look at this correlation.

Tomme (2005) agrees with Smith (2006) on the point that property values in close proximity to TIF districts increase with the implementation of TIF. "Tax increment financing's central premise is that when a municipality undertakes a development project, it can expect that the property value of the development site and neighbouring properties will increase" (Tomme, 2005, p. 216). Carroll and Eger (2006) look at the effectiveness of TIF in relation to health and welfare issues of crime and brownfields. Their research looks at an empirical analysis using panel data from the City of Milwaukee, Wisconsin, to determine whether TIF can effectively increase a district's property value amidst the negative effects of crime and brownfields. TIF "is one such policy that is implemented for the purpose of stimulating property values and revitalizing blighted urban areas. In particular, TIF is intended to function as a policy to promote and retain business redevelopment within blighted areas through the provision of public infrastructure and other improvements" (Carroll & Eger, 2006, p. 456). The effects of crime and

brownfields were studied at the municipal level within the City of Milwaukee for the period of 1993 to 2000. Results showed that at the maximum level of TIF-equalized value, the increase in property valuation at the municipal level would surpass the negative connotations associated with brownfields and crime (Carroll & Eger, 2006).

This suggests that with an aggressive TIF policy, resulting in a significant appreciation in equalized property values within TIF districts, the suppressive effects on property valuation in the most problematic crime – and brownfield – plagued geographical areas can be successfully combated to realize an increase in property valuation (Carroll & Eger, 2006, p. 472).

This demonstrates that Toronto's proposed use of TIF for the brownfield site in the West Don Lands area has the potential to be very successful. The site covers 80 acres of prime downtown Toronto real estate and has gone through extensive remediation since the 1980s. The site was formerly home to many mixed-used businesses including an industrial port, hog farmer, soap factory, leather tanneries, and other manufacturing services (Cornell, 2013).

Contrary to Tomme's (2005) findings, Dye and Merriman (2000) found that the areas outside of TIF districts grow more slowly. Their study looks at property value growth rates from the Chicago metropolitan area. This study found evidence that municipalities that use TIF grow more slowly after adoption than those that do not implement TIF. This finding suggests that TIF trades off higher growth in the TIF district for lower growth elsewhere. The empirical evidence shows that TIF adoption has a cost for municipal growth rates; municipalities that elect to adopt TIF stimulate the growth of blighted areas at the expense of the larger town. This article is of high importance as Dye and Merriman's research from other studies is heavily cited throughout other TIF academic journal articles. This study is important in relation to the implementation of TIF

in Winnipeg, since Winnipeg wants increased development and growth not only within the SHED, but also for the entire downtown core. There is the risk that TIF will stimulate growth of the elected districts, but negatively affect the surrounding areas.

3. Catalyst: Spurs new development

The adoption of TIF is intended to spur new development and may also stimulate competition amongst municipalities. This competition stems from the fact that companies and developers look specifically for TIF districts, so that they can take advantage of the low property taxes. “Strategic interaction is most likely a result of competition for business investment among neighbouring municipalities” (Byrne, 2005, p.298). Cities face several obstacles in their efforts to keep residents and businesses in their municipality and to be competitive in pursuit of economic development. Usually, when an area experiences poor economic performance, it is difficult not only to draw in new residents, but also to sustain the interest of existing businesses. Thus, many cities utilize economic development tools [like TIF] and subsidies to maintain and encourage additional growth (VanDyke, 2011). The incremental dollar amount earned from TIF is used to construct buildings, and to pay for urban design improvements, including sidewalks, utility upgrades, and infrastructure. This example is similar to what the SHED TIF initiatives are; to give the entire 11-block district a facelift by way of developing the public realm elements, in order to create a sense of place.

TIF also allows the marriage of public improvements with private redevelopment projects. These projects have the ability to be carefully designed in order to achieve “pedestrian friendly, high density, and mixed used [developments] – accessible not only by automobile but public transit as well” (Lefcoe, 2011, p. 427). The public

infrastructure made possible by TIF would otherwise never get built, or the private investors would possibly take on some of the initiatives, but nothing as comprehensive and well planned as when public and private partnerships work together for the entire duration of the project.

Of Portland's many TIF areas, the Pearl District is one of the most successful examples of becoming a catalyst for change. The district was an abandoned rail yard and manufacturing warehouse hub and by 1994, the area was destitute (Lefcoe, 2011). The area was carefully planned and designed, and is now a thriving urban neighbourhood. "It has also quadrupled the property tax base, adding a billion dollars in assessed property values to the tax rolls in less than a decade" (Lefcoe, 2011, p. 428). The private developer negotiated with the city, and they mutually agreed on low-density apartments and condominiums if the city would develop three parks. The city also opened up a streetcar line that connected the Pearl District with downtown Portland (Lefcoe, 2011). This connectivity and transportation path helped the public navigate to and from the Pearl District and led to its success. Furthermore, without at least one large developer backing up a TIF development, it is hard to have a healthy flow of revenue throughout the life of the district – a large initial development in the district is necessary for its success (Davis, 1989).

The research reviewed in this section provided information on how TIF is a flexible financing tool, creates increased value of the TIF property, is a catalyst that spurs development that otherwise would not have taken place, and also promotes new development stemming from TIF district redevelopment. It is interesting to find that most of the articles focus on and are heavily weighted with the negative aspects of TIF

rather than the positives. This brings us to the second main section of the research paper; the disadvantages of TIF.

3.3 Disadvantages of TIF

There are four main disadvantages of TIF according to the literature reviewed:

- 1) Threat of Expropriation: TIF can be the basis for the wrongful use of land expropriation,
- 2) Negative Labelling: TIF often requires the designation of an area as ‘blighted,’
- 3) Tax Increase: TIF can result in an increase in property taxes within the TIF district and also of surrounding neighbourhood’s, and
- 4) Insufficient Revenue: TIF districts can fall short on the increase in property value, thus not covering the debt incurred.

1. Threat of Expropriation

Land expropriation (eminent domain in the United States) involves the acquisition of property by force rather than by voluntary exchange. When a buyer is seeking to purchase property and has the power of land expropriation, the buyer must first attempt to negotiate a voluntary sale. If this offer is rejected, the buyer may condemn the property, and obtain a forced sale at a price determined in a court of law (Carpenter & Ross, 2010).

Advocates argue that TIF is a strong economic tool for derelict areas, as it not only reduces adverse conditions, but also enhances the tax base. On the other hand, opponents feel that cities are faced with many unanticipated consequences throughout the redevelopment process and the increase in the tax base is sometimes very marginal at best (VanDyke, 2011). Davis (1989) and VanDyke (2011) agree and state “TIF is a very popular tool when redevelopment is truly necessary and TIF is used in an appropriate

manner. However, the criterion for establishing a TIF district is often loose enough to include areas where problems are minor or non-existent” (Davis, 1989, p. 65).

VanDyke (2011) outlines the infamous *Kelo v. City of New London* case in his article, which has become a precedent for the use of eminent domain. In 1998, New London, Connecticut wished to develop a portion of the Thames River waterfront in order to attract more developers to the area. The large pharmaceutical company, Pfizer, had already built a portion of their headquarters and wanted to expand into the surrounding area. The land acquisition through eminent domain was passed, even though the homeowners within the immediate area refused to leave. The city allowed for the development to move forward in 2005. In 2009, the company announced that they would be relocating and taking with them all of the jobs they had promised. Further, they had only generated a fraction of the proposed tax benefits promised to the city (VanDyke, 2011). Pfizer was labeled as an abuser of TIF and the government was outraged. The corporation was only paying \$1.3 million a year in taxes, which equaled approximately 20% of the assessed value. Three years after the company left, the taxes grew to \$6.1 million a year (VanDyke, 2011). This was the biggest TIF case in the history of the United States. A case was made against the city: *Kelo v. City of New London*,

arguably the most controversial land-use case in history, the United States Supreme Court upheld the City of New London, Connecticut’s acquisition of private property through the exercise of eminent domain and use of TIF to attract Pfizer Corporation, a private developer, to lead a redevelopment campaign in the area (VanDyke, 2011 p. 793).

The City of New London manipulated the meaning of “public use” by stating that a generalized economic benefit was sufficient enough to count as public use (Tomme, 2005). When cities apply for TIF districts, one of the prerequisites is that the planned

development has a public use for example, a public park. The government, in some cases, approved TIF grants when developers had listed stairs, or a walkway as so-called “public use” in their application. This created a negative precedent for other cities and states, illustrating that they could utilize TIF for any development project, as long as it has some broad, vague public purpose (Tomme, 2005). This case encouraged an estimated 43 states to reform their own eminent domain and economic development legislation, and a total of 49 states have adopted TIF-specific legislation (VanDyke, 2011).

Tomme (2005) outlines another example between Best Buy and Richfield, Minnesota where the city was responsible for condemning all private property in a 43-acre redevelopment, using the power of eminent domain. To qualify for TIF in this specific case, the current buildings in the proposed area first had to be found structurally substandard. The city came to the conclusion that 91% of the buildings could be classified as substandard because their insulation did not conform to the Minnesota Energy Code’s standards (Tomme, 2005). This illustrates a wrongful implementation of TIF based on questionable reasoning. VanDyke (2011) also states “it is evident that there is an escalating trend of failed TIF projects present in nearly every major city” (p. 794).

Carpenter and Ross (2010) look at whether restricting the use of eminent domain for economic development results in negative economic effects. After the United States Supreme Court upheld the Kelo decision, the use of eminent domain as reason for implementing a TIF district has been highly scrutinized. Two main questions were used to analyze state-level quarterly financial data from all 50 states spanning January 2004 to the final quarter of 2007. Research question one: “Is there a significant difference in

construction jobs, building permits, and property tax revenues before and after legislative or judicial limitations on eminent domain for economic development?” (Carpenter & Ross, 2010, p. 340). Research question two: “Is there a significant difference in construction jobs, building permits, and property tax revenues between states based on legislative or judicial limitations on eminent domain for economic development?” (Carpenter & Ross, 2010, p. 340) Results indicate no difference in economic indicators before and after adoption of legislation or judicial decisions and no difference in economic indicators between states based on the strength of the legislative or judicial limitations on eminent domain for economic development. “Legislation or decisions to limit the use of eminent domain for economic redevelopment have no negative effect on economic indicators aligned with development, despite predictions to the contrary” (Carpenter & Ross, 2010, p. 346). The states that adopted major or moderate legislative limitations had no statistically significant negative economic impact, compared with states that had weak or no limitations. These results suggest that efforts to strengthen property rights did not deter economic activity (Carpenter & Ross, 2010). However, this study does have its shortcomings, one of which is the relatively short time period they measured the economic development after legislation was passed.

Of the 16 states with major legislative limitations, 14 had at least 12 months of post limitation data, and 5 states had at least 18 months. Of the 16 states with major legislative limitations, 15 had at least 12 months of data, and 5 states had at least 8 months (Carpenter & Ross, 2010, p. 347).

Therefore, Carpenter & Ross (2010) concluded that even with this data and relatively short timeframe, they would be able to see at least the early signs of economic harm if there was a correlation between eminent domain legislation tightening its strings and economic development receding. Carpenter & Ross’s (2010) study is of importance to

this thesis, since the Kelo case played a huge role in the ease with which TIF districts were once (and to a degree, still are) adopted.

2. Negative Labeling: “Blighted area”

A blighted area, as a Philadelphia planner stated in 1918, “is a district which is not what it should be” (Gordon, 2003, p. 306). Since this date, the definition of what a blighted area is, has been massaged, tweaked, and hacked into whatever the end user really wants it to mean. Gordon (2003) studies the history of blight and how it has played a role in development and the use of TIF within the United States. In the 1930s, urban renewal was at the forefront of planning and people wanted the government to see that slumish urban conditions deserved federal and state political attention. Shortly afterwards, The National Housing Act of 1937 established a system of loans and grants-in-aid to local public housing authorities. The new laws allowed federal funding for the construction of low-income housing, but also required the clearance of an equal number of “blighted” properties (Gordon, 2003). The National Housing Act was refined in 1941, allowing state governments to pass legislative power to municipalities and to let municipalities apply for federal funds. This allowed (and caused) the use of eminent domain and “blighted areas” to be redeveloped without any objections (Gordon, 2003).

In 1949, a new Federal Housing Act made federal funds available for the redevelopment of large areas as opposed to the removal of slum conditions. “Local redevelopment corporations could buy and clear blighted areas with federal money, sell the land to private developers, and use the proceeds to cover the redevelopment costs” (Gordon, 2003, p. 311). By the 1970s, the blight language was drafted into new laws, including numerous TIF laws in the 1970s and 1980s. At this time, TIF was seen “as a

strategy for redevelopment, [...] an innovative marriage of conventional local property tax abatement and publicly subsidized urban renewal” (Gordon, 2003, p. 313). What does “less desirable” really mean? The definitions and wording added to the statutes are all highly interpretive and, in some instances, make the statute even more convoluted.

By 2000, only three of the US states did NOT include TIF as a financial tool in their legislation. Newer statutes expanded the older definition of blight and the issues rolled on, and more clauses were added into the definition of blight, making it increasingly vague. In 2001, Georgia amended their TIF statute to include “any previously developed parcel ‘in which the current condition of the area is less desirable than the redevelopment area’” (Gordon, 2003, p. 318). This illustrates how vague some of the statutes are written so that interpretation is widely open to the reader.

The main take-away from Gordon’s (2003) study is that the designation of blight often occurs on a proposal-by-proposal basis, at the insistence of the developers – and fueled by their own interests. Blighting is therefore not fueled by objective urban conditions, but by the prospect of private investment and money-making. This is of importance to Winnipeg, as a few of the developers involved in the redevelopment of SHED, are private investors. Questions should be asked regarding how developers are interpreting the legislation and what contributions to the city are they really making?

Tomme (2005) defines blighted areas as a threat to public safety, health, and welfare, together with a decay of building structure. The abuse of the blighted definition is a problem that continues to occur across North America. New York State’s law provides TIF as a tool to eliminate “blight,” subject to the constraint that a municipality can only commence development in an area that would not be able to do so by private

enterprise alone. The law does not specify how this private enterprise condition should be satisfied, but it does give significant discretion in defining blight (Lowenstein, 2002). In contrast, there are “relatively few state laws [that] provide quantitative criteria to be applied in identifying blight. Some state laws explicitly allow the use of TIF for economic development without a finding of blight” (Lowenstein, 2002, p. 2).

VanDyke (2011) concurs with Lowenstein’s (2002) research and believes that municipalities are becoming more lenient with their TIF approvals and their definitions of ‘blighted’ areas. These interpretive definitions are hurting small businesses and pushing them out to make room for mega-projects. “No one can guarantee the success of a TIF project, which makes this particular economic strategy such a risky venture” (VanDyke, 2011, p. 800). Unfortunately, it is often not until negative effects and failures of this financial tool unfold that people become fully aware of the potential risk.

Fourteen states that have TIF statutes, and more under older redevelopment laws, have a “but for” provision along with the designation of “blight.” The “but for” provision is intended to ensure that redevelopment produces the desired outcome rather than just subsidizing new development that would have occurred without TIF (Gordon, 2003). Gordon (2003) firmly states that “the ‘but for’ test lets private developers define blight by letting them define the likelihood of natural economic growth in a given area” (p. 324). This is dangerous as the developer is pulling numbers out of a hat and essentially predicting the future value of a specific geographic area. In order to put this in perspective, in California, redevelopment statutes with new “but for” growth generate only about half of the tax increment they receive. “In Chicago, less than one quarter of projected TIF revenues can be realistically attributed to growth stimulated solely by TIF”

(Gordon, 2003, p. 332). This is a major red flag when looking at the use of TIF in Winnipeg and making sure that the projections cover the cost of the development plans.

“Tax increment financing’s central premise is that when a municipality undertakes a development project, it can expect that the property value of the development site and neighbouring properties will increase” (Tomme, 2005, p. 216). However, as mentioned from Gordon’s (2003) research this is not always the case. Tomme’s (2005) article discusses the historical background of TIF, the definition of ‘blight’, the ‘but for’ test, and legislative changes that have arisen due to TIF’s negative impacts – most notably *Kelo v. City of New London*. Tomme (2005) also agrees with Gordon (2003) and VanDyke (2011) that the term for ‘blighted’ areas is too vague and municipalities use it for their advantage.

In order to avoid open-ended and interpretive statutes on “blight” and “but for” clauses, more descriptive criteria needs to be put in place. A non-subjective checklist should be drafted and land that is in question regarding its “blighted” status should have to pass the checklist first. “Blight remains a designation sought by developers, and hence shaped not by public purpose, but by private interests seeking public subsidies” (Gordon, 2003, p. 336). Tomme (2005) suggests that state legislatures should “require specific quantified findings and procedural hurdles before a TIF project is put into effect” (Tomme, 2005, p. 242). Secondly, redevelopment authorities should have to provide detailed calculations for future costs and benefits for the public, while assessing the current state of the economy and the impact of the project on its citizens. “A cost-benefit analysis would legitimize the use of TIF by essentially confirming that the project meets the public use requirement” (Tomme, 2005, p. 243). Lastly, an independent board should

objectively review TIF proposals to curtail any wrongful use of the power of eminent domain.

Tomme's (2005) recommendations can, and should be applied to the Manitoba legislation on TIF to ensure that calculations are accurate. Furthermore, CentreVenture, as the acting watchdog of TIF, should be accountable for the bookkeeping for the duration of the life of each and every TIF implemented in Winnipeg.

3. Tax Increase: TIF can result in an increase in property taxes

TIF depends, not on absolute levels of property taxes, but on the incremental increase in property taxes, that is, the difference between property taxes in the year of designation and subsequent years. "In other words, surplus value only accrues to the local state and, by extension the market when assets are re-priced upwards" (Weber, 2002, p. 534). When using property that was publicly owned before (for example, a public housing complex) and acquired through land expropriation, once re-zoned as a TIF district, this repurposed land can create a huge spike in property values and therefore increase the level of property tax in the surrounding areas (Weber, 2002). To circumvent this from happening, one can use the tax revenue collected from overlapping TIF districts, which would allow the city to implement public improvements without an increase in property tax (Brueckner, 2001). However, this is not always practiced and many properties within and surrounding TIF districts have their property taxes raised due to the positive redevelopment taking place.

Skidmore and Kashian (2010) look at the relationship between increased property values, and increased property tax. Although researchers have directed their attention to weighing the effectiveness of TIF in the promotion of development, few studies have

looked at the impacts on property tax rates of all the surrounding jurisdictions affected by TIF (Skidmore & Kashian, 2010). The article illustrates the inter-jurisdictional and dynamic relationships between the use of the TIF development tool and property taxation. Extensive data was collected on TIF and property tax rates for the Wisconsin municipalities and other overlying jurisdictions over a 14-year period (1999-2003 inclusive) in order to evaluate the role TIF has played in shifting the tax burden across different taxing jurisdictions. The empirical analysis provides evidence that TIF use is closely linked with increases in the property tax rates of the non-municipal tax jurisdictions and reductions in municipal tax rates (Skidmore & Kashian, 2010). Their research is applicable to this thesis, showing how this type of negative effect could be mirrored in Winnipeg with an increase in property taxes due to more people moving downtown, thus increasing the need for public services.

4. Insufficient Revenue: TIF districts can fall short on the increase in property value

Another disadvantage of TIF is because the incremental tax amount is speculative; it sometimes does not increase enough to pay for the developmental improvements. The main purpose of Brueckner's (2001) research is to (1) to find out if TIF benefits both people within the district and outside of the district, and (2) whether TIF is actually self-financing: Does it generate enough tax revenue to cover the city's cost of the public improvement/redevelopment? Detailed mathematical calculations are used to research his questions and hypotheses. The final calculations show that localized public improvements are most likely to be opposed by property owners outside the TIF area because they pay higher taxes with no offsetting direct benefits. However, if the area were to use tax revenue captured from overlapping jurisdictions, TIF would allow

the implementation of the public improvements without an increase in tax rate. The calculations also show that TIF is only viable when the public good is at least moderately underprovided relative to the “socially optimal level” – which is something he calculates mathematically (Brueckner, 2001). The results for his second question on whether or not TIF is self-sufficient show that while TIF may allow a city to approve and construct needed public improvements, the stimulus it provides may be excessive; thus no economic shortfall can be realized.

In Dardia’s (1998) article, data from a sample of 38 TIF districts in California and 38 matched areas (non TIF districts) with similar characteristics showed that only four TIF districts had property values that outgrew their matches by enough to justify the tax increment received by the TIF districts. A total of eight projects generated at least 80% of the revenue they received. The districts with the most vacant land before development started, showed the greatest tax increment growth – which is to be expected. The study found that the 38 TIF districts collectively generated about half the tax revenue they received (Dardia, 1998). This is an important point when looking at how to study the success of Winnipeg’s TIF districts in the future. The pre-TIF district property condition plays an integral role in how successful, or how much success, can be measured. Therefore, comparing the success of TIF districts by looking solely at the end result is flawed.

Lowenstein’s (2002) report for the New York City Budget Office hones in on some of the disadvantages of TIF, one of which is what Brueckner (2001) analyzed above – the risk of TIF not generating enough tax revenue to cover the public improvements. Actual TIF revenues have the ability to fall short of the projections made when the TIF

bonds were sold (Lowenstein, 2002). Usually a municipality uses a variety of revenue sources to pay for their debt service payments, but a TIF district has only one source – the increment gained on the property taxes in the specified district. “A shortfall risks default or a bailout using other municipal revenues, undermining the reason for using TIF in the first place” (Lowenstein, 2002, p. 4). This revenue shortfall can be caused by the projected level of development not being met, the assessed property values in the TIF district may start to decline, and policy decisions could have unexpected impacts on property tax thus affecting TIF districts. The City of St. Petersburg, Florida had difficulties in their Bayboro Harbour TIF district (established in 1988), when “the actual 1998 taxable property value for the district was \$20.7 million – about 60 percent less than the projection made at the start of the project, and about 25 percent less than its pre-TIF value of \$28.1 million” (Lowenstein, 2002, p. 4). As for policy decisions, when the state of Minnesota took over education finance in 2001, the education portion of local property tax increments that previously had gone to TIF projects was redirected to the state (Lowenstein, 2002). The TIF districts lost approximately 37% of the total increment they had received before this new policy took effect (Lowenstein, 2002).

Property tax exemptions within TIF districts are often used as incentives for developers. However, this baiting game can backfire and reduce tax revenue below projections if not calculated into the risk or not anticipated.

Byrne (2005) examines municipalities’ TIF adoption decisions and looks at those municipalities that may engage in strategic interaction (working together with other municipalities) when making the final adoption decision. The research uses spatial econometrics to accurately measure whether or not municipalities in the Chicago

metropolitan area engage in strategic interaction in their decision to adopt TIF. This paper furthers the existing research on TIF by finding out if TIF is used to capture tax revenue from overlapping jurisdictions without proper justification, which is a common criticism. The results indicate that municipalities do engage in strategic interaction with their TIF adoption decisions, which suggests that TIF is used as a way to compete for private development – which is very common in the states and the few examples found in Canada. However, it was found that municipalities do not use TIF to capture revenue from overlapping jurisdictions. Byrne (2005) looks at additional factors influencing TIF adoption that would also be beneficial for further research. These factors include: “the municipal tax rate, the proportion of the tax base made up of non-residential property, the share of ownership occupied housing, and the existence of an influx of new residents” (Byrne, 2005, p. 280).

3.4 Gaps in the Research

The main gap in TIF research is the lack of Canadian content and examples. Since the implementation of TIF is quite recent, some of the developments are only in the early stages of negotiation, or are just starting the redevelopment process. Since the lifespan of TIFs are usually 20 years, there is going to be a great lag time until it can be thoroughly studied in Canada. However, this information is valuable to Canadian cities that have legislated TIF as a financial tool, for they can become more aware of its advantages and be cautious of its disadvantages and curtail them from happening.

Another apparent gap in the literature reviewed concerns how TIF affects the quality of life for everyday citizens. While studies explore how it affects property value

and taxes which are of concern to residents, there seemed to be no studies done on the positive or negative social effects.

3.5 Summary

Reese (1993) concurs that Canada is in the early stages of implementing financial tools, albeit this article also dates back to 1993. Nevertheless, she covers some points still relevant today and also agrees that very few studies have been completed on the use and implementation of financial tools in Canada. Reese (1993) states that Canadian cities have less independence within their provincial governments compared to state governments in the United States. After reviewing the legislation put in the United States and Canada, it is evident that the Canadian policies are created or customized for specific developments that are to use TIF as a financial tool, rather than legislation blanketed over the entire province. Lefcoe (2011) firmly believes that “TIF is a win-win situation for the city, the developer, and the taxpayers” (p. 429). TIF allows local government to influence the design and uses of private development more directly, giving way to stronger community redevelopment. VanDyke (2011) comments further on the need for cities to attempt to utilize a variety of economic development tools to maintain and encourage growth. This coincides with Reese’s (1993) research that a city (or municipality) is better to use the best-suited financial tool for specific developments, rather than using TIF for all new developments.

Chapter 4: Findings and Analysis

4.1 Introduction

Research participants played a central role in this study by contributing pertinent information on the use of TIF within Canada. Due to the relative lack of scholarly research on TIF in Canada, the interview process greatly enriched the research. Chapter 4 begins with a comparative analysis of the legislation in Manitoba, Ontario, and Alberta. This primary data is analyzed and then complemented by the research participants' insights. The same headings used in Chapter 3 are used again for this chapter. This mirroring format allows for a more succinct digestion of information, and also allows the reader to parallel the theory with the findings. One research participant from Chicago was interviewed in order to gain information from an additional research method other than the literature review alone. This chapter not only explores findings about TIF use in Canada, but also references TIF use in Chicago, when appropriate. One research participant from Chicago was also interviewed in order to complement themes arising from the United States.

4.2 Comparative Analysis of TIF Legislation

In 2009, Manitoba passed the Community Revitalization and Tax Increment Financing Act (Knight, 2012). In order to designate Community Revitalization properties, "significant improvements to the property are to occur; and it is in the public interest that the improvements be made" (Government of Manitoba, para.4, 2009). Once the designation has been approved, it may be renewed at any time before it expires, but the total designation period of a property cannot exceed 25 years. The municipality and school board must be notified when a community revitalization property is designated

within the municipality or school division, or the designation is revoked or expired (Government of Manitoba, 2009). The reason for this knowledge-sharing is because of the way the tax bill is formatted and what it includes. The City of Winnipeg tax bill is split into three different sections: municipal taxes, school division taxes, and education special levy taxes (depending on the type of property). The City of Winnipeg's Charter only has authority over the municipal tax section. The Province of Manitoba, however, has authority over the applicable amount of school division taxes and education special levy.

The City of Winnipeg and the Province of Manitoba are in partnership with CentreVenture, a Winnipeg downtown development corporation (Knight, 2012), to plan future development through the use of customized financing tools such as TIF. CentreVenture is not only the liaison between the government and developers using TIF, but also the one in charge of distributing the TIF funds. In 2008, CentreVenture, along with Winnipeg city officials, started researching the use of TIF. CentreVenture collectively recognized that no level of government (federal, provincial or municipal) had a capital budget to fund urban renewal projects in Winnipeg. Research participant 7, a member of a development corporation in Winnipeg, stated that after much research and discussion between CentreVenture and city officials, the Province of Manitoba took a liking to this specific financial tool. They collectively saw it as an opportunity for funding the much-anticipated vision of Centreport (a 20,000 acre tri-modal inland trading port). It was not until TIF was implemented that its use for SHED was approved.

Before 2008, the city had been using a modified version of TIF – called the Downtown Residential Grant Program (DRGP). Research participant 4, a developer in

Winnipeg, shared that this program allowed the city to grant back only the municipal portion of incremental taxes to developers in order to complete certain projects. These earlier DRGP projects were structured quite differently than today's TIF, in the sense that developers were not given a lump sum of money upfront from CentreVentre. One application of the DRGP that can be illustrated took place in the Exchange District. Research participant 4 shared that developers were given a per door grant for each residential unit constructed. This grant incentivized the conversion of century-old lofts from dilapidated warehouses to stunning downtown urban living space – some of which features live/work studios.

In Ontario, the Community Improvement Plan (CIP) is a by-law under section 28 of the Planning Act giving municipal governments broad authority to identify “the economic, social, environmental or infrastructural needs of communities” (Mullin, 2011, p.24) whereby they can then develop and implement the use of financial tools. Two steps must first be taken: “(1) The council must designate a community improvement plan area, and then prepare a suitable plan (including goals, strategies, and incentive programs) for that area; and (2) the council must consult with the Ministry of Municipal Affairs and Housing and hold at least one public meeting” (Mullin, 2011, p. 24). Single, lower tier, and prescribed upper tier municipalities can create CIP by-laws as long as the two steps outlined above are completed (Mullin, 2011). In order to apply for the use of TIF, a CIP must first be created and approved. Research participant 3, a city official in Toronto, shared that two large-scaled pilot project applications have been made, but the province has denied the use of TIF for both. The projects have had to look elsewhere for their funding. A review of the programs under the CIP umbrella was conducted in 2012, and

several amendments were made to the program in light of the review. Overall, there wasn't a lot of criticism, just an emphasis that standard reviews of the program should take place. A total program review has been put in effect and will take place every four years – so the next review is due in 2016 (Research participant 3).

Another option for possible funding in Ontario is the Tax Increment Equivalent Grant (TIEG); it is a modification of the TIF concept. Under section 28 of the Planning Act, the City of Toronto created a citywide TIEG covering the entire geographic region of the city. The program was implemented towards the end of 2008, and to date, the city has processed 30 applications for a wide variety of sector uses. The funds are raised very similarly to a conventional TIF, where it is based on the increase in assessed value. The Toronto property tax bill is split into two components – municipal and educational. However, since TIEG is a city-controlled program, only the municipal portion of the taxes is used in the assessment because that is what the city has control over. To involve the education portion of the property tax bill, the program would need provincial approval. This provincial approval is what Manitoba has, thus making their TIF based on both the municipal and provincial portions of the property tax base. The TIEG is therefore calculated on a portion of the municipal property tax and is rebated on an annual basis over a ten-year period to the property owner. There is also a brownfield component to the program that would add an additional 3-year period of rebate. The main positive of the TIEG is that its use is narrowly defined to one project alone; what is seen as a deficiency is noted and then the TIEG sets out to redevelop or remediate the building/property. In contrast, a TIF is sometimes more broadly defined for a larger building/property and “might be better used in larger infrastructure projects than smaller

scale ones” (Research participant 3). Some people have coined the TIEG program as the “bricks and mortar program” (Research participant 3), because it is truly incentivizing the building and development process, and then new employment is usually the end goal. Another positive for TIEG, is the wide variety of applications of the program that it has been used for such as office space, manufacturing, tourism, creative space, and adaptive reuse (Research participant 3).

The Government of Alberta introduced the Community Revitalization Levy (CRL) program to help stimulate activity and economic growth in under-developed areas in their communities. The two main objectives of the CRL are: to attract and increase local activity, investment and development; and to spur economic growth, creating additional tax revenue for all orders of government. The additional municipal and provincial property taxes from the newly found economic growth help fund the original project (Community Revitalization Levy, 2014). The Province of Alberta legislates and regulates the use of Community Revitalization Levies. The province also contributes by dedicating the portion of education taxes collected for the province to pay for the approved projects within the CRL Plan. But as with civic taxes, only the increase in school taxes from the assessment increases from the baseline in the CRL boundary is affected (Community Revitalization Levy, 2014). The City of Calgary must apply to the province for approval of the CRL Bylaw. Each district has its own CRL bylaw with specifications for that site only. For instance, under the Municipal Government Act, The Rivers District in Calgary has the “City of Calgary Rivers District Community Revitalization Levy Regulation.” The CRL is limited to 20 years in length. Once complete, the increased municipal property taxes and school taxes dedicated to the CRL

will return to civic and provincial general revenues, leaving both the City and the Province in a better position (Community Revitalization Levy, 2014).

In comparison with Canada's scanty implementation of TIF, the State of Illinois has been coined the TIF capital of the United States, as there are approximately 1,308 TIF districts from more than 484 municipalities from 1999 - July 2014 (Illinois Tax Increment Association, 2014). Similar to Manitoba, Ontario and Alberta, the State of Illinois specifies a number of requirements that must be satisfied for an area to qualify for Tax Increment Financing. However, the focus is more on "blight" and the proof that it exists, rather than other factors found in the Canadian legislation. The State TIF Act also requires the municipality to pass the "but for" test – this illustrates that without the public investment provided through the TIF, redevelopment or development would not occur (Illinois Tax Increment Association, 2014). Section 11-74.2-1 of the Illinois Municipal Code proves that the term blight plays an important role in the implementation of TIF:

In certain municipalities of the State there exist commercial blight or conservation areas where a major portion of the commercial buildings and structures are detrimental to the health, safety and welfare of the occupants and the welfare of the urban community because of age, dilapidation, overcrowding or faculty arrangement, or lack of ventilation, light, sanitation facilities, adequate utilities or access to transportation, commercial marketing centres or to adequate labour supplies. [...] In order to promote and protect the health, safety, morals and welfare of the public it is necessary to provide for the eradication and elimination of commercial blight or conservation areas and the construction of redevelopment projects and commercial projects in these areas. The eradication and elimination of commercial blight or conservation areas and the construction of redevelopment projects financed by private capital, with financial assistance from governmental bodies, in the manner provided in this Division are hereby declared to be a public use essential to the public interest (Illinois Municipal Code, n.d., n.p.).

4.3 Advantages of TIF

Three main advantages of TIF emerging from the research interviews are:

- 1) Flexibility: TIF can be custom-tailored to suit the municipality or district utilizing it,
- 2) Value Generation: TIF can effectively increase property values, and
- 3) Catalyst: TIF can spur new development and provide the means to augment infrastructure in needed areas.

1. Flexibility

One of the advantages of TIF, possibly the greatest, is its flexibility of implementation. Research participant 7, a member of a development corporation in Winnipeg, shared that the tool can be used for site-specific developments like the Sport, Hospitality and Entertainment District (SHED) located in downtown Winnipeg. Its use in the SHED has received the most media attention and notoriety, due to its size and location within the downtown core. Once the concept for the SHED was developed, CentreVenture and the City needed to find a suitable funding mechanism. Since the legislation for TIF already existed, the implementation process was quite simple and only involved adding another program under the legislation instead of creating an entirely new bill. The money received for funding the SHED project comes from the pockets of both the provincial and municipal levels of the property tax. The City of Winnipeg property tax bill is divided into three parts: school division tax, provincial education levy, and the municipal property (Research participant 7). The increment is based on all three taxes combined for SHED TIF. The TIF funds do not go back to the developers within the SHED – instead, they are invested into the public realm (Research participant

7). Historically, that was the main goal for TIF in the United States. This type of TIF can be seen in Portland, Oregon with their successful Pearl District. However, the popularity of TIF exploded in the 80s and 90s in the United States and the implementation was massaged into an array of questionable uses which were outlined and discussed in Chapter Three of this thesis.

The duration of TIF within the SHED is phased – the first phase is 15 years and phase two will be another 15 years. For the TIF residential program, it is 10 years for condominium developments and 15 years for rental developments (Research participant 7).

A second example of how TIF is flexible is that the legislation has room for interpretation. Research participant 6, a city planner in Winnipeg, shared that one might think that room for interpretation is an imperfection, but it was intentionally created this way for ease of implementation so that a municipality can structure it in a way that best suits the needs of the project. “I think that’s why the TIF legislation is very broad [...] you can’t TIF everything; TIF is like the new flavor of the month in terms of incentive tools, but if you start TIF’ing everything, there’s no pool of money left for the general fund” (Research participant 6).

In contrast with Winnipeg, Toronto has a variety of options for financial tools under a CIP, including Tax Increment Equivalent Grants (TIEGs), Development Charge (DC) grants, grant loan programs, and the potential future use of TIF. TIEGs provide grants or rebates to property owners to offset a portion of the property tax increase the owners will have to pay due to the redevelopment. The TIEG is payable in installments over a 10-year period, and pays out 100% of the tax increase in the first year, with the

percentage declining over time (Mullin, 2011). DC grants provide costs that are clear from the onset of the development project. Municipalities can implement this type of financing tool whereby the grants are made on an annual basis after the completion of the project as a fixed amount rebate on the increased tax assessment resulting from the redevelopment (Mullin, 2011). Grant programs can be administered through the Ontario Planning Act which gives municipalities the power to create a loan program to pay for all or a percentage of the costs associated with development. This type of financial tool can incentivize a specific property or district to attract investors when overcome with financial hurdles. “For example, the City of Oshawa has initiated a building permit fee grant program up to a maximum of \$50,000 for building permit fees for residential development in a defined area of the city” (Mullin, 2011, p. 24-25). This program is similar to the City of Winnipeg’s DRDGP. The city, along with CentreVenture, is also in the works of offering another grant program for the Exchange/Waterfront neighbourhood (Research participant 7). Currently, there is no TIF project in Ontario, so no analysis of the tool can be made at this time.

Similar to the Manitoba Tax Increment Finance Act, Alberta’s Community Revitalization Levy requires each project or district to apply to the province for approval. What this process allows for is more custom tailoring for each individual CRL rather than having stringent requirements that blanket the entire province. For instance, under the Municipal Government Act, The Rivers District in Calgary has the “City of Calgary Rivers District Community Revitalization Levy Regulation.” This regulation outlines the goals of the development and how they are to be realized.

A second advantage of the CRL is that it may be financed using various methods. The most advantageous of all is that Calgary is able to borrow through the Alberta Capital Finance Authority, an entity of the provincial government that deals with borrowing. Research participant 10, a member of a development corporation in Calgary shared that “by using the provincial AAA credit rating, the city [applying for the loan] is able to get much better rates since the Alberta Capital Finance Authority aggregate the debt and only borrow four times a year.” One drawback of this method of finance is the timeline in which borrowing requirements need to be submitted in order to get approval, as the funds are only released 3 times a year which makes for tight project deadlines (Research participant 10).

Historically, the greatest advantage of TIF in the US was its ease of implementation and the fact that laws were largely open for diverse interpretation. It was this advantage that caused widespread misuse and overuse of TIF. There is clearly a balance of having legislation/laws in place that are clear, allowing for some tailoring, but not sewing a bespoke suit. Throughout the years, TIF applications have become more concise and the abuse of the “but for” and “blighted” cases have decreased. The greatest advantage of TIF use in Illinois, for instance, is its adaptivity to different property uses over the course of the last 30 years.

It was primarily developed as a tool for industrial retention; Illinois was a big spelt-manufacturing region in the United States so when TIF came around in the 70s all the legislation was focused on retaining industrial jobs. We have really moved away from that initial focus of job retention to TIF being a general-purpose real estate tool or real estate development tool with the job creation being a ‘nice to have’ but not necessarily a ‘need to have’ (Research participant 9).

When TIF was first thought of as a financial tool for residential development, it almost seemed preposterous. However research participant 9, a professor in Chicago, states “TIF at its core is a tool that follows the market.”

2. Value Generation

Research participant 7, a member of a development corporation in Winnipeg, suggests that SHED is an “investment protection and attraction plan.” It will generate value during the course of the TIF and snowball for years to come. Furthermore, the Province of Manitoba’s Community Revitalization Tax Increment Financing Act states that The Lieutenant Governor in Council may, by regulation, designate real property in close proximity to the real property that is to be improved (Government of Manitoba, 2009). Such designation offers a framework by which to add more land into an existing TIF project or district. This process would most likely be the result of flourishing success of the initial TIF designation, thus leading us to believe that having this designation positively affects the surrounding areas by extending into areas on the fringe.

Even though TIF has yet to be implemented in Toronto, discussions with research participant 11, a member of a development corporation in Toronto, made it clear that once the regulations are formed, the financial tool will withhold the power to generate an increase in property value for the selected project and also the surrounding area. With this increase in property valuation, the area is also faced with an increase in property taxes. “From our perspective there is a real true incremental uplift in real estate values and therefore property taxes. By taking the value enhancement and redeploying it through financing and subsequent land sales you really can put in that infrastructure that governments can’t afford to pay for today” (Research participant 11). Even though

property taxes increase, the overall benefit to the area outweighs this negative effect – which is merely accelerated versus a naturally-occurring increase over time.

The use of the CRL in the Rivers District in Calgary has increased the land value within the district and areas bordering the district exponentially. The increase is astronomical, due to the blighted state of the area before remediation and development occurred. Research participant 10, a member of a development corporation in Calgary, shares an example of just how much money has been invested in the district: “Under our loan scenario, it’s \$735 million dollars in total CRL over the 20-year period – that’s the projection. We are more conservative, because we don’t want to get into the scenario of what’s happened in the United States – in California and Chicago.” The research participant is referring to the instances in the United States where TIF did not generate enough to finance the redevelopment project.

3. Catalyst

Research participant 7, a member of a development corporation in Winnipeg, states that by using TIF downtown “we are advancing development by a decade.” The participant went on to share, “I would like to think that changes that would have organically evolved over time are happening way sooner than they would under normal market conditions.” Downtown costs are much more expensive than building in suburbs. Firstly, land values are much more expensive. Secondly, you cannot build a four-story wood structure downtown – your material and construction costs are exponentially more expensive with the use of steel and concrete. “Using the TIF to grant back to developers now enables them to get a product on the market that’s at a more

competitive price point compared to the suburban areas. It levels the playing field – or at least gets closer to leveling it” (Research participant 7).

Another example of how TIF has proven to be a catalyst for change is shared by research participant 7: “By investing in the public realm [within the SHED], you are attracting private sector investors, which will increase the taxes, which then go back to paying back the money borrowed to invest in the public realm.” With the public streetscaping in place, this full circle will only repeat and attract new investors and interested stakeholders to continue the urban renewal process in Winnipeg.

A direct example of TIF spurring new development is that of the Centrepoint development consisting of three mega-projects in one: ALT Hotels, Commercial office space, and Glasshouse Condominiums. The partners involved in this development saw SHED as being an investment protection and attraction plan” (Research participant 7). One caution of building too big and too fast is that “large swatches of construction built at one time are inherently inefficient for sheltering wide ranges of cultural, population, and business diversity” (Jacobs, 1992, p. 191). This is why it is wise to not over-TIF a city thereby prioritizing the built environment over social elements.

The best example illustrating TIF as a catalyst for change is that the City of Winnipeg is looking at possibly creating another district in the Exchange/Waterfront neighbourhood development plan (Research participant 7). However, the implementation process is unique in the sense that CentreVenture will elongate the borrowing an additional 5 years past the life of the TIF. For example, the TIF duration proposed for the Exchange/Waterfront district is 10 years for condominium developers. However, CentreVenture will borrow for a total of 15 years – that extra 5 years of “TIF’ing” will

procure funds for the Exchange/Waterfront Development plan and initiatives such as a car-share program. The original plan for the area was to have a \$10,000 incentive program for purchasers purchasing a new condominium within the Exchange/Waterfront District. This proposal was rejected by numerous stakeholders and eventually by City Council.

The Tax Increment Financing Act (2006) was not followed by a crucial second step to the legislation – the government never drafted the regulations on what needs to be done in order to implement TIF. The City of Toronto and Waterfront Toronto have tried to apply for TIF in the development of major projects like the Scarborough Subway Extension, West Donlands, and East Bayfront. However, after putting together a strong business case for the city and province – both levels of government have pushed back. Research participant 11, a member of a development corporation in Toronto, adds: “Even though you are improving the area and adding commercial employment, you’re really taking away that commercial employment from another area of Ontario.” Thus, the province argues that there is no real incremental increase in the provincial portion of the tax bill because you are just redistributing or reallocating commercial space within the province. The City’s argument is a bit different. Research participant 11 stated: “It’s just a natural increase [the tax increment] because eventually you would have developed that property and eventually a commercial or residential development would have arisen.” Research participant 11 argues back that yes, the claims are true, but that a TIF district for the West Donlands or East Bayfront Waterfront would *accelerate* the process and, as a result, is grabbing revenue property taxes sooner which will be used to finance the construction. Therefore, the real argument at hand asks is the increase in taxes truly

incremental, or is it just a case of changing the development locale? Research participant 11 notes that the land they personally want to develop needs to go through immense remedial work costing millions of dollars. Thus, the land really has a negative value to start with. It will cost approximately \$25 million dollars for remediation and development. The argument research participant 11 makes is: “well, I could take that \$25 million and build someplace else in the city, for say, \$17 million, and still get the same type of traffic and employment” (Research participant 11). Waterfront Toronto *has* been designated as a pilot project for TIF, but the approval process appears to have become a circular nightmare. The other pilot project is the Scarborough Transit Line. They, too, have had issues with getting the use of TIF approved by the province; they felt that that the development wasn’t truly incremental. The City, however, supported the use of TIF for the Scarborough Transit Line, but without support from the province, the deal fell through, and the City was forced to find another funding alternative. Building Industry and Land Development Association (BILD) secured money for the transit expansion and once they received the funds, there was no need to revisit the idea of trying to reapply for the use of TIF (Research participant 11).

Research participant 10, a member of a development corporation in Calgary, shares that the use of TIF within the city has spurred further use in Alberta. There are two other areas in Calgary where the CRL might potentially be used; City Council is currently deliberating on them (Research participant 10). As much as TIF spurs new growth, research participant 10 states, “One of the key components of TIF is being able to control the pace of development.” From a big picture perspective, we have seen that TIF does have the power to spur development. However, too much development too quickly can

result in failed projects, where sales quotas are not met and commercial space is not leased, or the incremental amount falls short. Cities using TIF must constantly keep their fingers on the pulse of TIF and make sure that it is promoting healthy development and not over-financed and rushed mega-structures.

Research participant 10 proves that TIF was a catalyst for the Rivers District by stating “I think that the Rivers District would have sat there for a while, if CRL didn’t exist. We spent about \$113 million just doing streetscaping, raising the roads out of the flood plans and running new utilities throughout the district, etc.”

In 2006, the City of Calgary was the first city to implement a form of TIF (the CRL) in Canada. The CRL was created specifically for the Rivers District project. Much like Manitoba’s use of CentreVenture, a third party corporation to manage and distribute funds, Alberta uses the Calgary Municipal Land Corporation (CMLC) to execute the CRL plans for the Province of Alberta (Research participant 10). The CRL is levied and collected by the City of Calgary through the property tax system, and these funds are then allocated to CMLC to implement the Rivers District Community Revitalization Plan (Calgary Municipal Land Corporation, 2014). The governance of TIF in Manitoba and Alberta is quite similar; they both use a third party corporation to implement and monitor the tools use.

Similarly to Winnipeg’s SHED, Calgary devised the Rivers District as a geographical area in much need of remediation and urban renewal. Most of the redevelopment efforts have been focused on the East Village portion behind City Hall, as it was very much blighted when legislation was passed. The City had been trying to focus on redeveloping the area for an extended period of time, and one of the main

challenges was the huge amount of capital needed for infrastructure redevelopment – such as sewers, streetscaping, services and land remediation (Research participant 10). Furthermore, the land sits within the flood plains and needed to be raised by 5-6 feet. Developers were turned off the area because they were not able to foot the monstrous bill attached with redeveloping the land – or a portion thereof. The City of Calgary decided on using the CRL as a mechanism to isolate growth in future property taxes within the Rivers District. By doing so, the incremental increase was used to pay for the required infrastructure. Research participant 10 reiterates this fact and shares: “It’s not a new burden on tax payers; it’s using the growth in taxes to pay for the infrastructure in the area.”

Calgary has enormous infrastructure costs with the growth spurt in the city’s population (Research participant 10). This is where TIF has stepped in as a huge catalyst for change that has needed to take place for numerous years, but the funding or right financial tool didn’t exist until recently. “That’s one of the key issues with Calgary – it’s growing so quickly that there’s a general need for taxes but they [the City] didn’t want to increase taxes to pay for this [infrastructure costs in the Rivers District]” (Research participant 10).

4.4 Disadvantages of TIF

There are four main disadvantages of TIF according to the research studied and most of these disadvantages were indeed mentioned by the research participants:

- 1) Threat of Expropriation: TIF can be the basis for the wrongful use of land expropriation (eminent domain),
- 2) Negative Labelling: TIF often requires the designation of an area as ‘blighted,’
- 3) Tax Increase: TIF can result in an increase in property taxes within the TIF district and also of surrounding neighborhoods, and
- 4) Insufficient Revenue: TIF districts can fall short on the increase in property value, thus not covering the debts incurred.

1. Threat of Expropriation

To date, none of the provinces actively implementing TIF have used the power of expropriation. By reviewing the legislation and comparing it to different United States legislation, it is evident that Canada does not acknowledge this as a way to attain TIF property. However, it is worth mentioning that the threat of expropriation be kept on the radar for years to come, as TIF legislation is bound to be rewritten and amended.

Research participant 10, a member of a development corporation in Calgary, believes that the issue with expropriation stems from who has control over the TIF project; when there is just one developer using the TIF, then they are given too much control. “The CRL doesn’t give the incentive to one or two developers, it works in such a way that it benefits the entire area and levels the playing field” (Research participant 10).

2. Negative Labelling

At this point in time, coining a property as “blighted” in Canada does not grant automatic use of TIF. In contrast, Illinois has built in a relatively exhaustive and descriptive clause into their municipal code and specifies that:

‘Commercial blight area’ or ‘blight area’ means any improved or vacant area of not less in the aggregate than 2 acres located within the territorial limits of a municipality where, if improved, industrial, commercial and residential buildings or improvements, because of a combination of 5 or more of the following factors: age; dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities or excessive land coverage; deleterious land use or layout; depreciation or lack of physical maintenance; lack of community planning, are detrimental to the public safety, health, morals or welfare, or if vacant, the south growth of the area is impaired by, (1) a combination of 2 or more of the following factors: obsolete platting of the vacant land; diversity of ownership of such land; tax and special assessment delinquencies on such land; deterioration of structures or site improvements in neighbouring areas to the vacant land, or (2) the area immediately prior to becoming vacant qualified as a blighted improved area” (Illinois Municipal Code, n.d., n.p.).

If Canadian provinces do decide to use blight as an acceptable reason to use TIF on its own, then a detailed description of what blight entails would need to be drafted.

The purpose of quoting this clause at length is to highlight two main points. First, the state of Illinois has made changes to the Act to narrow the definition of blight. Second, this process of narrowing the definition also illustrates how many ways it (a potential development site) can still be interpreted as a blighted area. This raises a very valid point when comparing and contrasting TIF legislation from Canada and the United States, as Canada’s legislation appears to be much more an open book, allowing for broader interpretation. However, the question is, do these broad bylaws open the floodgates for potential TIF misuse, as has happened in the United States?

3. Tax Increase

People assume that because TIF has the capability of increasing property values, TIF will automatically increase property taxes too. This misconception stems from the lack of knowledge about how the financial tool is implemented. The implementation process varies from province to province, and across the border.

In Winnipeg, the property taxes are not raised in a TIF district in order to fund the project. Instead, it is the increase from the base property tax that is being captured throughout the life of the TIF and used for development funds.

The same TIF principle is in place for Calgary. As research participant 10 affirmed previously, “It’s not a new burden on taxpayers, it’s using the growth in taxes to pay for the infrastructure needed in the area. That’s one key issue with Calgary, is that the city is growing so quickly there’s a general need for taxes but they [the city] didn’t want to increase taxes to pay for this.”

4. Insufficient Revenue

It was difficult to track down information for this section on the negative effects of TIF, because the TIF’s are currently in use and have not reached their full maturation age. Therefore, it is impossible to comment accurately on whether or not there will be insufficient revenue, once current projects are complete. However, a few research participants did consider the fear of insufficient revenue, but stressed that no negative effects are currently visible. Research participant 7, a member of a development corporation in Winnipeg, shared “So far I can’t say I’ve seen anything negative – we are getting things done by using it. Hopefully, at some point we won’t have to use it and people will want to be downtown and the market will take care of itself.”

One of the main causes of insufficient revenue from TIF districts isn't the overall cost, but duration in years that the TIF funding is in place. CentreVenture gives back 10 years' worth of incremental taxes, and in some cases, 15 years for rental projects (Research participant 7). The reduction in amount of years the financial tool is in place decreases the risk of incremental shortfall, once the project is complete and the final numbers are calculated. Winnipeg seems to have anticipated the potential negative effects and has proactively implemented smart measures to deter them from happening.

CentreVenture allows the developer to choose whether they want to receive the grant annually for the life of the TIF, or as a lump sum paid out the year following completion. If they choose to be paid every year, the increment is calculated in the first year. For example, if the calculated increment was \$100,000 then the developer will only receive the \$100,000 – the excess amount raised goes back to the city and or province (Research participant 7). This payment process further protects the city from shortfalls historically seen in the states after projects are completed.

In Toronto, research participant 11, a member of a development corporation in Toronto, shared that the biggest disadvantage of TIF (once and only if implemented) is the period of capitalization. If the project only spans a few years, then the interest on the loan is affordable. However, when the projects are taking numerous years, the capitalization period is astronomical. Research participant 11 stated that if the government is supporting the development, then they are able to backstop that capitalization period with an alternative form of financing. Governments exist in perpetuity – if they can borrow the money required for the project from the private sector on the builder's behalf, then the builder can pay the government back. It might take close

to 30 - 50 years to pay back the government, but the upside is that the government exists in perpetuity, so the interest is very affordable compared to the builder going to a private lender.

How cities calculate their projections directly impacts the potential for insufficient increments to pay back the loans. Research participant 10 outlines how Calgary calculates their projections with low, medium, and high scenarios. Low scenario numbers are always used when applying to the City for funding so that minimal risk is taken. Furthermore, the CMLC only deals with projects they know are going to materialize, to make sure the numbers are more accurate – they are not in the business of speculating.

We remove all of the unknowns so when we actually go to commit to doing some type of infrastructure project redevelopment in the area, we know the money is going to be realized. For instance, the CRL consists of a \$735 million dollar loan over a 20-year period. The CMLC has already committed around \$300 million of that total” (Research participant 10).

There is some room left, but the CMLC is more conservative because they do not want to get into a similar scenario of what’s happened in the past in the United States. For instance, in California, many projects spent the full amount of the TIF thinking if we built it, they will come – but when the recession hit and no one came. Numerous entities went bankrupt – and what’s even more interesting is that all of these entities were guaranteed by the State of California, so the state ended up pulling the plug on all of the developments (Research participant 10).

One of the clear differences between Alberta and the United States (and possibly other provinces) is the way the TIFs are prequalified. In the United States, they have the “but for” test, which must prove that the development would not take place “but for” the

use of TIF. There isn't the same test built into any of the TIF legislation in Canada. The idea and concept is there, but there isn't a specific clause in the legislation.

Other Disadvantages

One disadvantage that doesn't fit into any of the above categories is that of a TIF *project* versus a TIF *district*. With a TIF project, the land area is smaller and boundary lines for the increment are clearer. However, a TIF district occupies a larger geographical area and the boundaries can get blurry. Research participant 6, a city planner in Winnipeg stated: "With the TIF district, because that money is going into a general pot towards streetscaping, you don't really have control over what's happening with the streetscaping plans." CentreVenture is in charge of this process, so the developers do not have full control over the streetscaping plans.

According to research participant 9, a professor in Chicago, "There are a lot of negative aspects to it [TIF]." For example,

When you have an autocratic government that doesn't like to have any participation in their development decisions, such as Chicago, the use of TIF has alienated the input of environmental groups, community groups, low-income individuals, and worker groups. [Essentially], it's a deal between the city and the developer" (Research participant 9).

This quote summarizes a growing concern with planners, that the use of public participation is absent from development decisions. These decisions impact numerous stakeholders for decades, not just for a few years.

4.5 Summary

After comparing and contrasting the use of TIF within Canada, it is clear that Manitoba and Alberta have their own legislation that grants them ease of implementation. Ontario has the legislative framework to implement TIF, but many governmental officials

at the provincial level are still hesitant about giving TIF the green light – even on “preselected” pilot projects. Possibly, these pilot projects are too vast in both geographical and financial size. It might have been best for the province to look at implementing the first use of TIF on a smaller scale project, in order to “test the waters.” “The challenge of building economically sustainable local communities that will attract and maintain businesses, jobs, and residents is one that all municipalities face. However, with a little creativity and the right incentive or partnership arrangements, municipal governments can leverage a number of tools to revitalize their communities, attract and retain jobs, and make their communities better places to live” (Mullin, 2011, p. 26).

The findings in all of the research reviewed show how TIF has very different impacts on residents, business owners, governments, developers, and real estate. There are numerous external factors and influences that make it very difficult to foresee what impact TIF will have on a given area. Furthermore, there are no completed studies available in Canada to show the long-term effects of TIF, since the life of a TIF district is usually 15-25 years. These issues contribute to the tepidness that other cities and provinces have when deciding whether or not they should implement TIF. Predictions can be made, but the actual impact cannot be determined – either good or bad – until the lifespan of the TIF district is complete. Even with more stringent statutes in place and clearer definitions of blighted areas, there is still the risk of interpretation. Governments will continue to look out for themselves and developers will continue to focus on the bottom line and profit margins. After reviewing all of the studies, precedents and information, one can see that we still have a long way to go before TIF can be considered the BEST financial tool. More community involvement needs to take place. We need to

question the reasons behind the implementation of TIF and if it truly makes sense for the location or land in question. The research participants have shared negative aspects of the financial tool, and caution that it must not be used expansively and carelessly. Furthermore, the positive and/or negative implications are not only present for the duration of TIF, but also for the lifespan of the city and its future residents – for many generations to come.

Chapter 5: Conclusion

5.1 Response to Research Questions

As indicated in section 1.2, this research sought to answer the following questions:

1. What precedents for TIF in the United States and elsewhere in Canada may have application in the Winnipeg context?
2. To what degree has TIF already been implemented in Winnipeg, how effective has it been, and what future plans are there for TIF?
3. How can planners and the planning profession influence the positive development of TIF as a stronger, more effective, financial tool?

5.1.1 Research Question One

This thesis first set out to answer: *What precedents for TIF in the United States and elsewhere in Canada may have application in the Winnipeg context?* The literature review played an important role in gaining insight into the use of TIF in the United States, and the interviews as a research method revealed examples of Canadian precedents applicable to Winnipeg. There are three main precedents from the United States and other cities in Canada that can be applied to Winnipeg, the first of which is TIF's flexibility as a financial tool. Even though TIF is governed by state statute in the United States, the control of the actual project remains almost entirely in the hands of local municipality and the appointed TIF regulator (VanDyke, 2011). In Chicago, Illinois, TIF has adapted and transformed into a pliable financial tool for an array of diverse uses. For instance, TIF was primarily developed as a tool for industrial retention in the 70s, when the majority of legislation focused on retaining industrial jobs. That

initial focus is no longer relevant, and today the tool is more of a general-purpose real estate tool (Research participant 9). Similarly, in Portland, Oregon, TIF is used to fund the development of the arts, as opposed to infrastructure-related projects that are more commonplace with this specific financial tool (Eickhoff, 2012). In Canada, Calgary has also formed TIF legislation to be flexible and easily implemented for numerous locations and purposes within the city. Similar to the Manitoba Tax Increment Finance Act, Alberta's Community Revitalization Levy requires each project or district to apply to the province for approval. This process allows for more custom tailoring for each individual CRL rather than having stringent requirements that blanket the entire province. The City of Calgary Rivers District Community Revitalization Levy Regulation has specific planning initiatives and developmental goals that may not apply to another CRL in a different location within Calgary. Furthermore, the governance of TIF in all the examples above illustrate a common thread – that control is kept at a more local level, as opposed to having stringent governmental control over each and every decision. Both Calgary and Winnipeg have a separate elected development corporation to liaise between the government and other stakeholders. As for Winnipeg, CentreVenture is the middle man between the government and developers, which allows for more parties at the same time to be involved in the implementation and decision making process. Calgary uses the CMLC as their governing body.

The second precedent from Chicago, Illinois illustrates how TIF has the power to positively increase property value. “Houses located near mixed-use districts [like that of the SHED in Winnipeg] appreciated more than those further away” (Weber et.al., 2007, p. 280). Another mixed-use development that helped stimulate property values in and

around a TIF district is the Pearl District, also known as the River District Urban Renewal Area, in Portland, Oregon. The district was once an abandoned and severely decayed rail yard, manufacturing and warehouse hub. “Today, the former rail yard has been transformed into a thriving, carefully designed, pleasant urban neighbourhood vaguely reminiscent of Tribeca or Soho in New York” (Lefcoe, 2011, p. 435). In addition, the TIF district has “quadrupled the property tax base, adding a billion dollars in assessed property values to the tax rolls in less than a decade” (Lefcoe, 2011, p. 435-436). In Winnipeg, research participant 1 stated that “In the downtown area [TIF’s] being used in properties that will generate significant incremental value and taxes because of the nature of the properties – they are either vacant or significantly underutilized so they’re ripe for TIF-ing.” What has been happening downtown Winnipeg within SHED – such as the Longboat Development historic Mitchell Copps façade project illustrates how a dilapidated historic building now yields a significant incremental value with the development of the ALT Hotel, Glasshouse and other commercial tenants.

The third, and most applicable, is that TIF has set numerous precedents in the United States as a catalyst for new development. In Canada, this cannot be truer for Winnipeg with the development of the SHED, numerous downtown residential grant programs, and future talks of the Exchange and Waterfront District using TIF as a financial tool to promote growth. This new development parallels many of the direction strategies outlined in *OurWinnipeg* (2011), such as developing “a strong planning framework for downtown residential development [and to] adapt and develop tools to support desired development” (p. 57).

5.1.2 Research Question Two

The research also sought to determine: *To what degree has TIF already been implemented in Winnipeg, how effective has it been, and what future plans are there for TIF?*

The Province of Manitoba passed the Community Revitalization and Tax Increment Financing Act in 2009 (Knight, 2012), which allows specific properties to be designated as a TIF district or project. In order to designate properties, the Act states that one must provide confirmation that “significant improvements to the property are to occur; and it is in the public interest that the improvements be made” (Government of Manitoba, para. 4, 2009). Once the designation has been approved, it can be in place for 25 years, with the exception of the SHED district, in which case the City approved the TIF for 15 years (with an option to extend for an additional 15 years).

Urban renewal projects of the 1960s and 1970s were largely financed by federal grants, led by municipal city planning departments, and involved widespread removal of old buildings (Mitchell, 2001). The “new” urban renewal process is often self-financed by private stakeholders, public-private partnerships, or by creative financial tools, such as TIF. This shift in how urban renewal projects are financed has led complimented the importance of historical preservation, residential development, new commercial centres, streetscaping, and the cleanliness and safety of the streets as top priorities (Mitchell, 2001). Through the use of TIF, the City of Winnipeg is able to finance these types of urban renewal projects, most notably, transformations presently underway in the SHED.

When answering the question “To what degree has TIF already been implemented in Winnipeg?”, there is only one “true” use of TIF to date – the SHED. TIF use within

the SHED comprises several initiatives, including both residential and commercial development. The development of Centrepoint, a \$100 million dollar project, serves as a prime example of these new initiatives and consists of four separate developments in one geographical location. A new fifteen-story tower is being constructed at 311 Portage Avenue, with the first five floors to include two major chain restaurants, and office space for lease. Longboat Developments and Artis REIT from Winnipeg are funding this portion of the project. The second portion of the development is located on floors six to fifteen, and will be occupied by the Alt Hotel; this portion is funded by Montreal's Germain Group. The third portion involves a residential component – a twenty-one story condominium building located slightly north of the commercial tower. Urban Capital, a developer from Toronto is behind this large-scale residential project which is called "Glasshouse." Since the Glasshouse property was originally within the SHED boundaries, it was unable to receive the DRGP incentive, as this would be considered "double-dipping" from both the financial incentives of TIF in the SHED and the DRGP incentives (Research participant 7). Therefore, the property where Glasshouse is located, was severed at land titles from the rest of the development, before construction commenced. This successfully removed the parcel of land from the SHED altogether, enabling the developer to receive the DRGP. When developers apply for the DRGP through CentreVenture, they are given a rebate on each unit constructed. The DRGP is now fully subscribed and CentreVenture is no longer taking any applications for funding (CentreVenture Development Corporation, n.d.). The fourth and last piece of the Centrepoint development is the five and a half level parkade located between the Alt Hotel and Glasshouse. The parkade has received funding from the City of Winnipeg in

the form of a loan that will be paid back over a set period of time (Research participant 7).

TIF has been effective in spurring growth thus far and has also been positively received by the majority of stakeholders. Research participant 7 agrees, “We are advancing development by a decade” with the use of this financial tool. The use of TIF in SHED is unique in the sense that it is paying for public infrastructure within the district and not solely to finance one plot of land or one building development. “Manitoba’s Community Revitalization and Tax Increment Financing Act states that for a property to be designated a TIF property, there only needs to be a belief that (a) significant improvements to the property are to occur; and (b) it is in the public interest that these improvements be made” (Knight, 2012, p.2). Therefore, the use of TIF in the SHED satisfies both of the requirements outlined in the Act. The use of this financial tool in the SHED promotes what Jane Jacobs (1992) discusses in her book, *The Death and Life of Great American Cities*, that effective neighbourhood physical planning for cities should aim to foster lively and entertaining streets, to make the fabric of these streets a continuous network, to use parks and squares and public buildings as part of this street fabric, and to emphasize the functional identity of areas large enough to work as districts.

5.1.3 Research Question Three

Finally, the research sought to discover: *How can planners and the planning profession influence the positive development of TIF as a stronger, more effective, financial tool?*

There are three main ways in which planners and the planning profession may influence the positive development of TIF; all of which circulate around the planner’s

involvement at the creation of legislation stage, implementation stage, and completion stage of each and every TIF project. Firstly, planners need to have a role in how the legislation is drafted. Without planners' input into what specifics the legislation defines, how can we expect planners to successfully implement TIF in Winnipeg? Now that the legislation has already been formed, planners can move forward and look at documents like *Complete Communities – An OurWinnipeg Direction Strategy* (2011), and include information on different financial tools available within the City of Winnipeg.

Research participant 10 shared that planners “would be gatekeepers to protect the public interest.”

Secondly, planners need to be involved in the process of implementing TIF by liaising with city officials, CentreVenture, developers, and the public. Research participant 6 commented:

It's unfortunate that planning and development have been put into two separate camps. They have been pinned against each other in an adversarial role where they both actually rely on one another. A good planner should be able to understand the economics and perspective of the developer, and the developer's role should also be able to understand the perspective of the city and what they are trying to achieve too. There are not many people that bridge both – they are entrenched in whatever role they are in, so I think that it limits creative solutions. It becomes more win or lose for one side rather than trying to create the best solution that will achieve all of those things. The lack of appreciation for the other person's side is not there.

This was a common theme throughout the unstructured interview research process.

Therefore, the importance of knowledge sharing and all parties working as a team is paramount. In addition to this last point, Research participant 4 states that more clarity and consistency is needed in how the adoption of TIF has taken place. For instance, the *Complete Communities – An OurWinnipeg Direction Strategy* (2011) document should outline potential financial tools, such as TIF, to promote development in chosen areas.

Thirdly, planners should also be involved in the review of completed TIF projects, so that lessons learned are conveyed to all stakeholders. Furthermore, planners should meet with city officials to discuss possible alterations to the existing TIF legislation, once a project has been analyzed from start to finish. In contrast, research participant 1 believes that it's not the planners that need to take precautions. It's the people who are developing the projects and how they are being financially assessed.

In conclusion, planners are key to the long-term success of any project and should be consulted when any TIF is implemented in the future.

In Summary, the research methods used to conduct this study provided in-depth answers to the three research questions that formed the backbone of the thesis. It is clear that some lessons from the United States are applicable in the Canadian context, and we have learned how TIF has been implemented in Winnipeg and its future plans. Lastly, research participants shed light on important suggestions for the planning profession to influence the positive development of TIF as a stronger, more effective, financial tool. Although the questions have been answered, the research has discovered some holes with TIF as a financial tool, and four main recommendations have been made in order to better implement and monitor the use of TIF in Winnipeg. These recommendations are outlined in the next section.

5.2 Recommendations

The research has shown that the use of TIF in Winnipeg has been very positive thus far. However, TIF is still in its infancy and is far from completing its potential 25-year life span. As the research from the United States has shown, there is the potential for numerous negative implications, if caution is not used and continuous review of the

financial tool implemented. There is great value in considering the recommendations below in order to facilitate optimal use of TIF in Winnipeg.

5.2.1 Recommendation 1 – Detailed Application Process for TIF

Research has shown that the Community Revitalization and Tax Increment Financing Act in Manitoba currently allows for a simplified implementation process. Presently, developers applying for TIF in Manitoba do not have to show that private funds are lacking. This step is known as the “but for” test in the United States which must prove that the development would not take place “but for” this financial tool. However, when reviewing the legislation, it is clear that only two conditions need to be met: “(a) significant improvements to the property are to occur; and (b) it is in the public interest that these improvements be made” (Government of Manitoba, 2009). This criteria does not include any proof of financial need, which implies the very opposite of the “but for” principle. This interpretive-styled legislation may have undesired consequences in the future, if too many TIF projects are easily approved. Therefore, the Province of Manitoba should create a detailed application process, outlining specifically what is needed before a TIF project can be approved. These steps are loosely based on those found in the State of Illinois (Tax Increment Financing Assistance, 2011, p. 1-9), with alterations made in order for the steps to be relevant in the Canadian context.

<p align="center">DETAILED APPLICATION CATEGORIES</p>	<p align="center">REQUIRED INFORMATION</p>
<p>GENERAL PROJECT INFORMATION:</p>	
<p>1. Summary Letter</p>	<ul style="list-style-type: none"> • Description of site or building, including address and TIF District (if applicable) • Current and proposed uses • Description of end users • Project start and end dates • Name of developer and owner • Total development costs • Overview of any private-sector financing • Amount of TIF assistance requested • Statement regarding why the use of TIF is essential for the project • Summary of increment projections • Profitability • Description of public benefits, including job creation
<p>2. Project Narrative</p>	<ul style="list-style-type: none"> • Current condition of the site and historical overview that includes the size and condition of any existing structures, environmental conditions, and past uses of the site
	<ul style="list-style-type: none"> • Proposed use(s) of the project, e.g. industrial, commercial, retail, office, residential for sale or for rental, etc.
	<ul style="list-style-type: none"> • Construction information about the project including: size of any existing structure to be demolished or rehabilitated; size of any new construction; construction phasing etc.
	<ul style="list-style-type: none"> • Confirm that this project is consistent with the “Complete Communities – <i>An OurWinnipeg Direction Strategy</i> (2011)” future goals for the area

	<ul style="list-style-type: none"> • Summary of any proposed “green” features and if the project intends to apply for LEED certification
3. Site Map(s)	<ul style="list-style-type: none"> • Provide map that shows the location of the site and the surrounding areas
DETAILED PROJECT INFORMATION:	
1. Renderings of Project	<ul style="list-style-type: none"> • Provide preliminary architectural elevations, plans, and renderings for the project
2. Project Timeline	<ul style="list-style-type: none"> • Provide a detailed timeline for the project including information for multi-phased projects
3. Public Benefits	<ul style="list-style-type: none"> • Fully describe the public benefits that can be realized by the completion of this project. Examples of public benefits include, but are not limited to: creation of affordable housing, creation of new permanent jobs, rehabilitation of a historic building, catalyst for new private investment in a neighbourhood, re-occupancy of a vacant building, elimination of blight, incorporation of environmentally-friendly features, increased property tax revenue
4. Residential Displacement	<ul style="list-style-type: none"> • Identify the number of residents, if any, who have been or will be displaced as a direct result of this project
5. Demonstration of Need	<ul style="list-style-type: none"> • Provide a detailed statement that accurately and completely explains why TIF assistance is needed
6. Evidence of Site Control	<ul style="list-style-type: none"> • Submit documents to verify that the developer has control of the project site. Acceptable documents include: deeds, title documentation, leases, real estate contracts
PROJECT FINANCIAL INFORMATION:	
1. Sources of Funds	<ul style="list-style-type: none"> • Identify sources of funds used to finance the project

2. Development Budget	<ul style="list-style-type: none"> • Provide an accurate and detailed development budget for the project that includes the cost of: site acquisition, hard costs, and soft costs
3. Request for TIF Assistance	<ul style="list-style-type: none"> • Specify how the TIF assistance will be paid i.e. upfront as one lump sum, or paid out at the completion of the TIF project
4. Proforma and Expense Schedule	<ul style="list-style-type: none"> • Applicants whose projects involve the rental of commercial, retail, industrial, or residential must provide proformas that identify income and expense projections on an annual basis
5. TIF Performance Measures	<ul style="list-style-type: none"> • TIF assistance as percentage of total project costs • TIF assistance as percentage of increment generated by project • Ratio of public (TIF) to private investment
6. Increment Projections	<ul style="list-style-type: none"> • Include projections of the incremental taxes that will be generated by this project for the remaining life of the TIF District. Clearly identify all assumptions considered in these projections
7. Most Recent Property Tax Bills	<ul style="list-style-type: none"> • Submit a copy of the most recent property tax bill to view the current amounts
PROFESSIONAL STUDIES:	
1. Market Studies	<ul style="list-style-type: none"> • Applications must include detailed market studies on the direct and surrounding area
2. Appraisal	<ul style="list-style-type: none"> • The appraisal must view the property as-is. The property must be valued assuming that the highest and best use is the proposed use
3. Environmental Studies	<ul style="list-style-type: none"> • If there is probable contamination on the project site, then soil samples and studies must be conducted
DEVELOPER INFORMATION	<ul style="list-style-type: none"> • Include the following information from the Developer: Ownership structure of the development corporation (or entity), financial

	statements from the last three years, and resumes from each of the principals of the developer
COMPLIANCE INFORMATION	<ul style="list-style-type: none"> • Explain and outline how the application is in accordance with the Community Revitalization Tax Increment Financing Act

(Tax Increment Financing Assistance, 2011, p. 1-9).

Tomme (2005) suggests that legislatures should “require specific quantified findings and procedural hurdles before a TIF project is put into effect” (Tomme, 2005, p. 242). Secondly, redevelopment authorities should have to provide detailed calculations for future costs and benefits for the public, while assessing the current state of the economy and the impact of the project on its citizens. “A cost-benefit analysis would legitimize the use of TIF by essentially confirming that the project meets the public use requirement” (Tomme, 2005, p. 243). Lastly, an independent board should objectively review TIF proposals to curtail any wrongful use of the power of eminent domain. This last recommendation from Tomme leads into Recommendation 2 – the importance of monitoring every application of TIF in Winnipeg.

5.2.2 Recommendation 2 – Monitoring TIF

It is highly recommended that the Province of Manitoba, City of Winnipeg, and CentreVenture implement a standard review process of TIF, to be conducted on a yearly basis. Within this review process, it is imperative to set a maximum duration that a TIF can be operable, depending on the project type and scope of work. This recommendation would have the ability to curb overexertion of TIF, which research has shown can lead to the overestimation of land values and running short on procurement of funds (in the form of interest by the end of the project).

The chart below uses the same application categories as in Recommendation 1 from the State of Illinois (Tax Increment Financing Assistance, 2011, p. 1-9). It outlines what should be included in the review process that would then be submitted, assessed, and discussed with an elected TIF committee comprised of designated Government officials, members from CentreVenture, city planners, lending institution representatives, and developers.

PROGRESS CATEGORIES	INFORMATION TO BE UPDATED OR PROCURED FOR REVIEW
GENERAL PROJECT INFORMATION:	
1. Summary Letter	<ul style="list-style-type: none"> • Has the proposed use(s) changed? • Updated completion date • Total development costs to date and projections for the remainder of the project • Overview of any private-sector financing to date • Amount of TIF assistance requested, if different from initial application • Summary of increment projections • Profitability update
2. Project Narrative	<ul style="list-style-type: none"> • Current condition of the site and any new environmental conditions
	<ul style="list-style-type: none"> • Updated construction information about the project including: size of any existing structure to be demolished or rehabbed; what has been completed, any changes to construction phasing etc.
	<ul style="list-style-type: none"> • Confirm that this project is consistent with the “Complete Communities – <i>An OurWinnipeg Direction Strategy</i> (2011)” future goals for the area
	<ul style="list-style-type: none"> • Update on any proposed “green” features and if the project will apply

	for LEED certification
3. Site Map(s)	<ul style="list-style-type: none"> • Provide an updated map (if there have been changes to the initial plans) that shows the location of the site and the surrounding areas
DETAILED PROJECT INFORMATION:	
1. Renderings of Project	<ul style="list-style-type: none"> • Provide updated architectural elevations, plans, and renderings for the project
2. Project Timeline	<ul style="list-style-type: none"> • Provide an updated timeline for the project including information for multi-phased projects • Include original timeline dates in order to see if the project is on schedule or how behind it is running
3. Public Benefits	<ul style="list-style-type: none"> • Update any of the public benefits that can be realized by the completion of this project
4. Residential Displacement	<ul style="list-style-type: none"> • Identify the number of residents, if any, who have been displaced as a direct result of this project
5. Demonstration of Need	<ul style="list-style-type: none"> • Provide an updated statement that accurately and completely explains why TIF assistance is still needed
6. Evidence of Site Control	<ul style="list-style-type: none"> • Submit any updated documents such as leases or real estate contracts
PROJECT FINANCIAL INFORMATION:	
1. Sources of Funds	<ul style="list-style-type: none"> • Identify sources of funds that are currently in use to finance the project
2. Development Budget	<ul style="list-style-type: none"> • Provide an updated development budget for the project that includes the cost of: site acquisition, hard costs, and soft costs • Include the initial estimated cost so that increases or decreases to the budget can be seen
3. Request for TIF Assistance	<ul style="list-style-type: none"> • Specify if there have been any changes in how the TIF assistance will be paid i.e. upfront as one lump sum, or paid out at the completion of

	the TIF project
4. Proforma and Expense Schedule	<ul style="list-style-type: none"> • Provide updated and adjusted proformas showing the initial calculations
5. TIF Performance Measures	<ul style="list-style-type: none"> • Updated TIF assistance as percentage of total project costs • Updated TIF assistance as percentage of increment generated by project • Updated ratio of public (TIF) to private investment
6. Increment Projections	<ul style="list-style-type: none"> • Include updated projections of the incremental taxes that will be generated by this project for the remaining life of the TIF District • Clearly identify all assumptions considered in these projections
7. Most Recent Property Tax Bills	<ul style="list-style-type: none"> • *Since the property taxes in Winnipeg are reassessed every three years, this step will only need to be done each three-year period with updated property tax amounts
PROFESSIONAL STUDIES	
1. Market Studies	<ul style="list-style-type: none"> • Updated market studies on the direct and surrounding area, including any new development located close to the TIF project
2. Appraisal	<ul style="list-style-type: none"> • Updated appraisal value every five years
3. Environmental Studies	<ul style="list-style-type: none"> • Soil samples and studies conducted on an ongoing basis, if needed. An update of all samples collected to be reported each year.
DEVELOPER INFORMATION	
	<ul style="list-style-type: none"> • Include an update on the following information from the Developer if there have been changes: Ownership structure of the development corporation (or entity), financial statements from the last three years, and resumes from each of the principals of the developer.
COMPLIANCE INFORMATION	
	<ul style="list-style-type: none"> • Explain and outline how the application continues to be in accordance with the Community

5.2.3 Recommendation 3 – Importance of Public Participation and City Planner

Involvement as part of the Decision Making Process

This recommendation is twofold: First, the importance of public participation in the TIF decision-making process is recognized. Second, city planners facilitate this understanding by educating the public and creating appropriate public consultations custom tailored for each and every TIF project. In planning and design, it is important to involve the public in order to understand people’s opinions, culture, and use of space. A proper participatory process can lead to good design, which leads to efficient use of space (Dawson, 2002 & 2008). On the other hand, planning and design without public participation often leads to spaces that contradict people’s natural use of space. This is especially true when the designer or planner is unaware of the context in which he or she is designing. In Winnipeg, this is especially important for the SHED TIF, as it encompasses an 11-block radius of the downtown core. Therefore, numerous people on a daily basis interact with the streetscaping differently. A sense of place is socially constructed – so why don’t we involve the people in this process? It is our social network that makes a place come to life. People weave in and out of the urban fabric and give it its true meaning.

There are many advantages of linking the use of city planners to initiate public participation; trust and confidence building between people and planner, designer, and/or government is a great benefit of public participation. Allowing people to participate and share ideas can increase a person’s awareness and understanding of the plans, which

reduces speculations and weariness due to unfamiliarity. People become more receptive to plans and designs as they learn more about its benefits and become more involved. Moreover, public participation increases the sense of community as it unites people with a single vision or goal (Sanoff, 2000).

However, the public is composed of groups of people with differing opinions and agendas, and in many cases, there can be tension among stakeholders, planners, and other members of the public. Public participation reveals that tension from disagreements sometimes leads to the formation of constructive debates. These debates can educate those involved about their respective, potentially differing positions to arrive at a consensus. Sanoff describes this benefit of the process as consensus building (2000). Every time people disagree with one another, there is the potential to gain a better understanding of another person's perspectives. This allows people to weigh their options with respect to other people's interests, possibly arriving at a unified decision (Barletta, 2011).

The ability of different neighborhoods and social groups to collectively articulate their ideal community vision is challenging. Furthermore, communities' realizations of what must be done from a political and policy-making levels are the true variables in public participation processes. Constant during these processes, however, is the planner's ability to communicate with all the parties involved and transform any challenges into opportunities for the community as a whole. When looking at how public participation can be infused into the TIF process, four questions should be answered in order to best match the kind of consultation process with the type of proposed development:

1. What is the scale of the project?

Public consultation for a large-scale project encompassing a large geographical area, such as TIF in the SHED, should involve members from the City, developers, Centreventure, city planners, business owners, and community members. Large-scale projects should include a series of consultation sessions advertised beforehand in various media outlets and publically displayed on the future development site itself. Information from the consultation sessions should then be collected, and a report written and shared with all of the attendees present at the consultation sessions, and made available to the public. This allows the community members numerous opportunities to share their concerns and have their questions answered.

Public consultation on a small project, such as the implementation of TIF for a property instead of a district, should still involve the same members (albeit not as many), as if it were a large project. However, small-scale projects would not require conducting such an extensive series of consultations, rather a reasonable number to allow planners and others facilitating the consultation processes enough time to work with the community and address their questions and concerns.

2. What is the current condition of the site?

The locale of the project determines what scale of planning should be involved. For instance, if the potential TIF project is located on a brownfield site, then remediation experts would need to be involved in the consultation process. A second example would be a heritage building that is being preserved; this process would require experts from the Heritage Conservation office to play a continuing role throughout the life of the redevelopment.

3. To what degree will the public interact with the redevelopment on a daily basis once it is complete?

The location and level of interaction one has with the redevelopment site plays an important role when deciding what scale of public consultation is appropriate. TIF use in Winnipeg has focused on the downtown core, which is a high-traffic area, therefore requiring larger-scaled public participation and consultation processes.

Of use in considering scale is Kevin Lynch's (1960) work, which explored the role of urban form itself. He outlined five elements of urban form and the roles that they play in our daily lives. With respect to varying levels of public interaction with a space, Lynch (1960) defines a district as a medium-to-large section of the city where the observer can both recognize the space internally and externally. "The physical characteristics that determine districts are thematic continuities which may consist of an endless variety of components: texture, space, form, detail, symbol, building type, use, activity, inhabitants, degree of maintenance, topography" (p. 67). This conception of an urban district holds true for Winnipeg's SHED district and the streetscaping that knits the district together into a cohesive mix. The public interaction level is high in the SHED; therefore a high level of public consultation is necessary.

4. What is the timeline for the project?

It must be realized that participation can slow down the planning process. Consultations can involve time-consuming processes and sometimes giving the public too much of a voice can stall projects that would ultimately benefit the community. It is the balancing of public opinion with planner's expertise that inevitably influences the best decisions to be made. Public opinion is just that – an opinion, whereas a planner's

knowledge is based on education and experience.

Currently, the way TIF is implemented in Winnipeg teeter-totters the power scale towards the developers, as opposed to the public. Recommendation 3 urges planners to have an active role and voice alongside CentreVenture, the City of Winnipeg, the Province of Manitoba, various stakeholders, and the general public – whom are all affected by the implementation and use of TIF. In conclusion, the opportunity to successfully implement public participation for TIF greatly outweighs the challenges. With time, there will be more implementations of the financial tool, offering opportunities for its implementation to be constructively criticized in order to formulate best practices for the future.

5.2.4 Recommendation 4 – Other Tools in the Toolbox

It is recommended that other financial tools be added to the provincial toolbox in order to help spur development. Not only should there be tools for tangible items such as buildings, but also intangible items such as art initiatives and city programs. “Place has the power to enable people to learn from each other, about each other and about the changing world they inhabit” (Chaplin, n.d., p. 106). It is important to remember that we are creating living spaces with these financial tools and we need to think beyond the bricks and mortar. This can be related to Jacobs’ (1992) theory that “to understand cities, we have to deal outright with combinations or mixtures of uses, not separate uses, as the essential phenomena” (p. 144) – just like the mixing the use of financial tools.

Furthermore, reliance on TIF as the only financial tool in Winnipeg is not equivocal to smart use. Overuse could have dire consequences as seen in the United

States such as over-TIF'ing, shortage of funds raised by TIF, possible misuse of the “but for” clause and vague definition of blighted areas. Below is a table that shows other possible financial tools, what city is currently using them (or has used them in the past), a brief definition, and their strengths.

FINANCIAL TOOL	LOCATION	DEFINITION	STRENGTHS
Tax Increment Equivalent Grants (TIEG)	<ul style="list-style-type: none"> • Currently available and in use in Toronto, Ontario 	<ul style="list-style-type: none"> • Based on the increase in property taxes that result from the increased building/site value • Can save an average of 60% of the incremental increase in municipal property tax (Lambersky, 2010) 	<ul style="list-style-type: none"> • No approval needed from the Provincial Government since the increment is only taken on the municipal tax base and not the provincial • Since the duration is 10 years, there is less financial risk than a 25+ year TIF (Lambersky, 2010)
TIEG Brownfield Incentive	<ul style="list-style-type: none"> • Currently available and in use in Toronto, Ontario 		<ul style="list-style-type: none"> • There is currently a brownfield incentive whereby a conventional TIEG can be extended an additional 3 years as remediation of brownfield sites take longer and are more expensive to develop than uncontaminated sites (Lambersky, 2010)
Heritage Conservation Tax Credit Program (HCTC)	<ul style="list-style-type: none"> • Currently in use in Winnipeg, Manitoba • Program continues at the 	<ul style="list-style-type: none"> • The value of this tax credit can be up to 50 % of the net private 	<ul style="list-style-type: none"> • Intended to increase property assessment value of heritage properties • Maximum 10-year

	<p>discretion of City Council</p>	<p>investment made in eligible work</p> <ul style="list-style-type: none"> • The credit can be and can be used for what the recipient chooses, to reduce municipal property and business taxes levied on the property (CentreVenture Development Corporation, n.d.) 	<p>period</p> <ul style="list-style-type: none"> • Allows for restoration and adaptive reuse (CentreVenture Development Corporation, n.d.)
<p>Downtown Residential Development Grant Programs (DRDGP)</p>	<ul style="list-style-type: none"> • Was in use in Winnipeg, Manitoba • The program is now fully subscribed and no longer offered (CentreVenture Development Corporation, n.d.) 	<ul style="list-style-type: none"> • A partnership between the City of Winnipeg and the Province of Manitoba offering \$40,000,000 in grants for residential developments • Program applicants had the option of receiving the grant per year for up to a maximum of 15 years, or as a lump sum (CentreVenture Development Corporation, n.d.) 	<ul style="list-style-type: none"> • Focus on rental, condominium, or apartment projects • Easy application process • Advantage of having the money upfront or paid out each year

Adams and Tiesdell (2013) look at how governments are able to engage with stakeholders and communities in order to use the right methods and tools to achieve the best end result. They state:

[W]hile governments have an essential role to play in shaping the built environment, whether they do this well or badly depends upon their chosen intent, their capacity and determination to act, and the approach they adopt in pursuit of their objectives (2013, p. 123).

It is the marriage of the right tool and the right implementation process with the right stakeholders that makes TIF successful.

5.3 Contributions to Theory and Research

Before the commencement of this thesis, minimal research had been conducted on the implementation and current use of TIF in Canada. This thesis has explored the use of Tax Increment Financing (TIF) as a financial tool and strategy to promote growth in Canadian cities – specifically residential and commercial development in downtown Winnipeg. There are three main contributions that this thesis has made to theory and research: (1) The review and discussion of provincial TIF legislation, (2) Intended and unintended consequences have been researched and possible methods to curb potentially undesirable outcomes recommended, and (3) Discussions on the importance of planning and city planners' involvement with the implementation of TIF.

The goal of this research since its onset has been to procure relevant TIF information within Canada. Now, those findings have the power to inform, educate, and help numerous stakeholders understand the positive and negative impacts that TIF may have on a city.

5.4 Future Implications for Planning Practice

The main goal of this thesis was to study the use of TIF as a strategy to stimulate and promote development in downtown Winnipeg. The research findings from the literature review and unstructured interviews offer key insights into the successful implementation of this powerful financial tool, but questions linger as to the involvement of planners and planning processes. Those questions have been answered by way of four main recommendations, which were discussed in section 5.2. However, this section delves deeper into the planning psyche and unearths trends that have materialized throughout this research process. First, is the use of municipal by-law documents, such as *OurWinnipeg*, as a medium to communicate the development of TIF and what the main objectives are towards creating complete communities. Second, is the use of public participation in the educational and decision-making process. Third, is the role of communicative planning as a method to involve all stakeholders and allow each party to collaborate effectively with one another through the power of voice. Fourth, is the duty of planners to continue their research skills from academia into the planning profession, in order to offer new ideas and concepts for present-day use.

Although the research has shown that fruitful discussions regarding the implementation and use of TIF in Winnipeg have occurred amongst CentreVenture, government officials, and developers, the role and importance of the planner is still in question. Furthermore, the planner AND the planning process need to have a well-defined role in the implementation of this financial tool in order to rejuvenate downtown Winnipeg effectively. The *OurWinnipeg* (2011) and *Complete Communities – An OurWinnipeg Direction Strategy* (2011) were referenced in numerous unstructured

interviews as a vehicle by which TIF could be outlined more clearly for all the stakeholders to have a better understanding of Winnipeg's ultimate goals with this particular financial tool.

OurWinnipeg is Winnipeg's Municipal Development Plan. It fulfills the requirement of section 224 of The City of Winnipeg Charter, under which the City of Winnipeg must, by by-law, adopt a development plan. *OurWinnipeg* supersedes By-law No. 7630/2000, adopted by City Council in 2001 as Plan Winnipeg: 2020 Vision (OurWinnipeg, 2011, p. 88).

Under the *OurWinnipeg* Plan, are four direction strategies: *Complete Communities*, *Sustainable Transportation*, *Sustainable Water and Waste*, and *A Sustainable Winnipeg*. The plan with its four directional strategies took effect on August 17, 2011 presenting a 25-year vision for the entire city (City of Winnipeg, 2013). With the use of this plan, it could be illustrated how a complete community can be created with the facilitation of TIF. It is the planners that strive to create these complete communities and with the help of TIF as a financial tool, this will ultimately shape the future of downtown Winnipeg.

Another lesson for planners revealed in the research was the importance of public participation. Numerous interviewees felt as though this imperative step in the planning process was poorly executed (or not present). Even though some interviewees stated that some form of public participation occurred, there were no governing documents or standard processes outlining what minimal public engagement was necessary, in order to proceed with the planned development. It would be wise for planners involved in TIF to look at Sandercock's (2003) idea of using stories to form and bring life to policy. The actual sharing of stories that shows the current planning process' weaknesses offers a way of critiquing existing processes (Sandercock, 2003). The use of this planning theory

can improve current by laws, legislation, and policies surrounding the implementation of TIF.

Another theorist uses the metaphor of a ladder to outline the different steps of citizens' participation in urban programs that affect their environs (Arnstein, 1969). The lowest two rungs are coined as manipulation and therapy; manipulation is when some organizations "contrive phony forms of participation, which are really aimed at getting citizens to accept a predetermined course of action" (p. 238). Therapy is another form of nonparticipation where government officials try to change the citizen's way of thinking so that it is more in line with their objectives. The research conducted shows that the public's involvement with TIF rests on the first two rungs. When implementing a new TIF project in the future, planners should aim for participation within the next two rungs; informing and consultation. The top three rungs which are partnership, delegated power, and citizen control, are rarely attained and could tip the scale in too much favour of the public's opinion without weighing in on the opinions from planners and other informed professionals (Arnstein, 1969).

Third, is the theme of communicative planning which stems from the last lesson on public participation. Communicative planning is seen as an effective way to engage the public and promote a more democratic way of planning. Patsy Healey (2006) states that communicative action "brings diverse forms of knowledge to bear on governance struggles" and "enrich[es] understanding of the way actions now may play out through complex relations in space and time" (p. 336). By using the theory of communicative planning, it allows a multitude of stakeholders to consider numerous perspectives. Patsy Healey's (1992) article entitled *The Communicative Turn in Planning Theory*, discusses a

democratic approach to planning in contemporary societies and economies, and states that this is the best planning form to uphold. This relates to the implementation of TIF and the importance of giving a voice to the people of the community. Furthermore, it allows the planning profession to become self-conscious and aware of how their attitudes and ideas shape how processes and the end result turn out.

The last trend that was illustrated throughout the literature review and unstructured interviews was the importance of continued research. The planning profession relies heavily on the use of precedents, theories, and discussions both from academia and real-world settings. It is important for the planning profession to continue educating themselves within their field. Under the Canadian Institute of Planners Code of Professional Conduct, section 3.1 states that planners must:

maintain an appropriate awareness of contemporary planning philosophy, planning theory and practice by obtaining professional education throughout their planning career, including complying with the Institute's continuing professional learning requirements (n.p., 2014).

For instance, some interviewees shared possible financial tools that they felt would be better suited to specific areas or projects within downtown Winnipeg. These ideas need to be shared in order to strengthen the planning process. Another example of this importance can be found again in the Code of Professional Conduct whereby 1.4 states that planners must “provide opportunities for meaningful participation and education in the planning process to all interested parties” (Canadian Institute of Planners, n.p., 2014). Patsy Healey states that “planners should not be afraid to reinvigorate the planning project with a utopian edge” and use their influence to “assert the idea of a good city and society” (Healy, 2006, p. 338).

Planners are on the front lines of communities and the point in contact amongst

numerous stakeholders, making it their ethical responsibility to share their own opinions on financial tools in use and promote and educated the public to do the same. The future of planning in downtown Winnipeg relies on planners' involvement in implementing recommendations outlined in section 5.2, negative effects associated with TIF can be minimized and the greater good for the greatest amount of stakeholders can be realized.

5.5 Directions for Future Research

At the time of writing up my research findings, it appeared that Edmonton had recently implemented the use of TIF for the Edmonton Arena District (EAD), which will encompass a new hockey arena for the Edmonton Oilers, residential condominiums, office space, and a new hotel. Future research on the use of TIF within the EAD would be advantageous as the project is quite sizable and is estimated to cost 5 billion dollars (Theobald, 2014). Research participant 10 cautions that there are potential issues with this TIF application, as there are a lot of non tax-paying entities in the EAD district (like government office buildings), where incremental taxes cannot be captured. It was also learned that Calgary has two more TIF projects City Council is deliberating on. The first is by Southeast 17th Avenue and International Avenue, and the second is the West Village area.

It is highly recommended to return to the initial TIF projects within Canada, such as the SHED and Calgary River's District once the full duration of the financial tool has expired. As discussed numerous times within this thesis, it is imperative that the full life cycle of TIF within Canada is studied in order to fully understand its positive and negative impacts. At that time, it is presumed there will also be numerous new TIF

projects within Canada that would be advantageous to research and follow their course over the years.

It is also advised that future research focus on the elected development corporation, or designated committee, that is to monitor and control the use of TIF. Topics such as granting TIF approval, control of the financial tool, management of funds, etc. need to be discussed at length. Since CentreVenture has been given ultimate control, topics around objectivity during the decision making process also need to be addressed. This leads us to future questions such as: How can we be certain that TIF is not being used for the greater good of certain stakeholders versus the greater good for the greatest amount of people? How can it be assumed that TIF is being used to better Winnipeg's downtown core and its people, rather than private corporate success? Who *is* really benefitting from the use long-term? "Winnipeg is growing – faster than it has in decades. Over the next 20 years, our population is expected to grow by over 180,000 people, 83,000 housing units and 67,000 jobs" (OurWinnipeg, 2011, p. 24). Now is the time to plan wisely for future growth, while the urban fabric still has some elasticity – time only makes the city landscape more tightly woven and harder to knit into what we envision.

“TIF is a process, not a panacea, that requires careful monitoring. When used properly, TIF is a fulcrum for positive redevelopment that creates a win-win for all parties; not, as some think, just a subsidy for developers” (Illinois Tax Increment Association, n.p., 2014).

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Appendix A: Email/Phone Script

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Winnipeg MB
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Tel: (204) 474-9458
Fax: (204) 474-7532

Faculty of Architecture

Email/Phone Script for Initial Contact with Potential Participants

Salutation,

My name is Rebecca Copping, and I am a student in the Master of City Planning Program at the University of Manitoba. I am currently completing my Major Degree Project which explores the history of Tax Increment Financing in the US and more specifically looks at how TIF can be implemented in Canada successfully. Attached is a “Project Backgrounder” which will provide you with more information about the project. I would greatly appreciate your time and knowledge sharing on this topic through an interview. The interview will take approximately 45 minutes of your time, and will occur at a time and place of your choosing, or by phone, or FaceTime, or Skype. If you would like any further information, please contact me at XXXX@cc.umanitoba.ca or by phone at XXX-XXX-XXXX.

Thank you very much for your time and consideration.

Regards,
Rebecca Copping

Appendix B: Project Backgrounder



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Faculty of Architecture

Project Backgrounder – for Prospective Interviewees

As a prospective interviewee, the following information is intended to provide you with background information on my Major Degree Project. I will outline why I feel you would enrich my research and how the research might benefit you in return.

The purpose of this thesis is to examine the effectiveness of TIF as a financial tool to stimulate growth. Developments in downtown Winnipeg where TIF has been used (or is currently in use) will be examined. Intended and unintended consequences will be explored and possible methods to curb potentially undesirable outcomes will be discussed. Policy documents and legislation dealing with TIF will be reviewed in order to more fully understand their power and depth, as well as what might be missing. TIF precedents from the United States will illustrate their structure, strengths and weaknesses. In order to gain a Canadian perspective, TIF precedents from Canada will also be examined. The challenge of my research is the lack of information on TIF in Canada, therefore, your knowledge is paramount in furthering my understanding of the role of TIF in Canadian development, how it is implemented, similarities and differences of TIFs role in the US versus Canada, and suggestions on how it can become a stronger financial tool in Canada without the negative side effects produced in the US.

I expect you will benefit from participating in this study, as the findings will help you understand the positive and negative impacts that TIF can have at multiple levels on the real estate market, the consumer, the general public, and the city.

Appendix C: Consent Forms

 UNIVERSITY
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Faculty of Architecture Statement of Informed Consent

This consent form, a copy of which will be left with you for your records and reference, is only part of the process of informed consent. It should give you the basic idea of what the research is about and what your participation will involve. If you would like more detail about something mentioned here, or information not included here, you should feel free to ask. Please take the time to read this carefully and to understand any accompanying information.

Research Project Title:

Tax Increment Finance: The Legislative Romance between the Municipal Government and Winnipeg Stakeholders

The purpose of this consent form is to give you the basic idea of what the research is about and what your participation will involve. If you would like further information about something mentioned here, please feel free to ask. Please take the time to read this carefully and to understand accompanying information. Two copies of this consent form will be signed, one will be left with you, and the other kept in a secure, confidential place with me.

Project Description:

The purpose of this study is to explore the use of Tax Increment Financing (TIF) as a financial tool and strategy to promote residential and commercial development in downtown Winnipeg. More specifically, the research will examine the effectiveness of TIF as a financial tool to stimulate growth. Developments in downtown Winnipeg where TIF has been used (or is currently in use) will be examined. Intended and unintended consequences will be explored and possible methods to curb potentially undesirable outcomes will be discussed. Policy documents and legislation dealing with TIF will be reviewed in order to more fully understand their power and depth, as well as what might be missing. TIF precedents from the United States will illustrate their structure, strengths and weaknesses. In order to gain a Canadian perspective, TIF precedents from Canada will also be examined. The findings are expected to help developers, as well as others, understand the positive and negative impacts that TIF can have at multiple levels on the real estate market, the consumer, the general public, and the city.

Participant Activities, Risk, and Benefits:

To complete this research, you are invited to participate in a one-time unstructured interview that will be approximately 45 minutes. Interview topics will involve questions about your knowledge of TIF, where it has been implemented, how it has been implemented, strengths of TIF, weaknesses of TIF, personal thoughts on how it could be implemented more effectively, and any other professional advice on TIF that would further my knowledge on the topic. You will not receive any monetary compensation as part of your involvement in the research. However, projected benefits may include the opportunity to contribute your knowledge and experience to research in your professional field, and the possibility of being introduced to a new arena for your own practice consideration.

Feedback/Debriefing:

I will provide individual feedback within one month of the interview by phone, email, in person, or in writing to ensure the information that you have provided is accurate. At the conclusion of the interview, an overall interview summary will be provided to you in accordance with this informed consent protocol. Once the study has concluded, you will be offered a copy of the thesis, in digital format.

Audio Taping and Confidentiality:

With your permission, the interviews may be audio-recorded and transcribed at a later date for research purposes, so that analyzing the material at a later date will be completed with accuracy. The audio-recordings will be kept in a secure place, and destroyed by myself after they have been transcribed. Your name or any other personal information will not be included in any publicly disseminated materials arising from the study. Names and other personal information will be omitted from the final MDP, unless such permission has been explicitly granted.

Dissemination of Results:

Study results will be disseminated by myself through my Masters of City Planning thesis, and a hard copy at the University of Manitoba Architecture/Fine Arts Library, a digital copy online, and through the oral defense.

Participant Correspondence:

I have attached a copy of the email/phone script and project “backgrounder” which was used for all potential participants (please see Appendix D).

Contact Information:

Principal Investigator:

Rebecca Copping, Graduate Student, Department of City Planning, University of Manitoba

Phone: XXX-XXX-XXXX

Email: XXXX@cc.umanitoba.ca

Research Supervisor:

Dr. Rae Bridgman, Associate Professor, Department of City Planning, Faculty of

Architecture, University of Manitoba
Phone: 204-XXX-XXXX
Email: XXXX@ad.umanitoba.ca

Your signature on this form indicates that you have understood to your satisfaction the information regarding participation in the research project and agree to participate as a subject. In no way does this waive your legal rights nor release the researchers, sponsors, or involved institutions from their legal and professional responsibilities. You are free to withdraw from the study at any time, and /or refrain from answering any questions you prefer to omit, without prejudice or consequence. Your continued participation should be as informed as your initial consent, so you should feel free to ask for clarification or new information throughout your participation.

The University of Manitoba may look at your research records to see that the research is being done in a safe and proper way.

This research has been approved by the Joint-Faculty Research Ethics Board (JFREB) If you have any concerns or complaints about this project you may contact any of the above-named persons or the Human Ethics Coordinator (HEC) at XXX-XXXX. A copy of this consent form has been given to you to keep for your records and reference.

I, _____, consent to the inclusion of my
(Name of Participant: please print)
name in publications resulting from the study.

I, _____, **DO NOT** consent to the
(Name of Participant: please print)
inclusion of my name in publications resulting from the study.

Interviews may be audio-recorded and transcribed at a later date, so that analyzing the material will be completed with greater ease and accuracy. The audio-recordings will be kept in a secure place, and destroyed after they have been transcribed.

I, _____, consent to the
(Name of Participant: please print)
audio-recording of the interview.

I, _____, **DO NOT** consent to the
(Name of Participant: please print)
audio-recording of the interview.

I understand that the information I provide will be incorporated in a presentation and report by the student researcher. I also understand that all information will be treated as confidential, stored in a private and secure place, and subsequently destroyed one year after the end of the project by the Principal Investigator.

Signature of Participant

Date

Name of Principal Investigator

Date

Signature of Principal Investigator

Date