



## TIF plan too risky for city taxpayers

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For the Calgary Herald

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Provincial law does not allow the City of Calgary to use tax increment financing, and that is a good thing. TIF, used to stimulate development in several U.S. cities, would fundamentally change our tax structure, allow the city to run up serious debt and compromise the education portion of our tax bill. Further, a site developed through a TIF program could designate its taxes to that area only and not benefit the city overall.

If council approves the scheme, it would allow the city to reassign a benefit that would otherwise accrue to all taxpayers through our property tax revenues -- on the assumption that other benefits would be received by the community at large -- in return. What is the benefit to the citizens of Calgary of borrowing \$70 million in addition to borrowing costs?

Calgary has experienced strong population growth lately, but it is expected to slow down over the long term. Updated long-term economic forecasts project slower growth, starting around 2010, and set the 2030 projection about 300,000 people fewer than previously forecast. In the new model, sustained growth is no longer assumed to be a given, due to economic constraints, including the increasing competition for labour as the population ages. Now is not the time for us to be ringing up millions more in debt.

Under TIF, the city would borrow \$70 million to front-end the cost of infrastructure in East Village -- a cost developers incur themselves in any other part of the city. No wonder they think this is a great idea -- it's a subsidy. But I do not believe there is a solid business case for it.

Consider these questions:

Have all other avenues to structuring the deal been exhausted? Is the TIF being used only a last resort? Do we have information to compare the "with TIF" business case and "without TIF" case?

Can we track the subsidy provided by TIF financing and be certain as to whom this subsidy will benefit? Are mechanisms in place to enforce performance once the subsidy is applied?

Can we measure the success of this "experiment," given that this is its first application in Canada? Is the city, and by extension taxpayers, being adequately compensated for taking on this new financial risk?

The answer to all these questions is no.

While TIF has been used successfully in some U.S. cities, some municipalities encountered problems with their projects, including insufficient revenue to service the debt. Revenues fall short when the projected level of development is not reached or there are significant delays. Property values for a TIF district might also decline because of recession, public acquisition of private property, and the granting of tax-exempt status within the district. Property tax exemptions, which are often used as incentives for developers, can also reduce tax revenues. Some TIFs have declined from their base values despite growth in commercial property values. Changes in property values are also very difficult or impossible to anticipate.

Costs can also spill over to taxpayers outside the TIF district. Municipal service requirements such as police, fire, emergency services and sanitation, for example, almost always rise with increased development. In turn, the regular property taxes paid by property owners within the TIF district -- i.e.

those which are based in pre-TIF assessments -- could fall well short of the cost of enhanced services.

TIF projects may also draw tenants from elsewhere in the city, rather than attracting new business from outside. They could even shift development from more to less productive locations.

Downtown Calgary and East Village are not "blighted areas" by any stretch.

The philosophical debate centres on to what extent you believe the marketplace should dictate development, and to what extent should government intervene by borrowing millions to make something happen.

After 15 years of talking, council approved a redevelopment plan for East Village last Monday. Council is also putting a plan in place to clean up the social problems. This all brings a certainty to East Village that was never there before.

Now is the time for the city to sell off all East Village land and get out of the development business. It is time for the private sector to step forward in East Village and bring Alberta Advantage-style success to our great city.

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