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There is an excellent [article](#) by **Murray McNeill** in today's FP on how to encourage development in Winnipeg's downtown. I found it fascinating not because it provided a new take on an old problem - in fact, the suggestions raised by three prominent developers were pretty old news - but because it underlined the heart of the problem with Winnipeg's downtown. Namely that we've known all along how to solve the problem but we've never taken the plunge.

Developer **Hart Mallin**, architect **Rudy Friesen** and real estate agent **Bill Thiessen** all concluded that the three levels of government have to provide more generous financial incentives to make it worthwhile to build new structures and rehabilitate older, heritage buildings. This has been the argument from the private sector for the 23 years I have lived and worked in Winnipeg. And for a variety of reasons, government has never really stepped up to the plate.

Mallin in particular puts some hard numbers into the discussion that help laymen like myself get a fix on what developers believe they need to make it work. Mallin told the FP that existing grants cover about five or six per cent of the total project costs. In reality, the additional costs and complications of building downtown, or rehabilitating heritage buildings, require grants that cover 24-26 per cent of project costs. Obviously, there is huge gap there between what the developers and bureaucrats think on the issue.

Is Mallin's funding model fair for taxpayers? It depends on how you look at government and its obligations when it comes to downtown development. A more vibrant downtown, it is argued, will be a boon for government because it will draw people to live and work within its boundaries. A city with a vibrant downtown gets more conventions, sees more tourists and generates more tax revenue. A city with a vibrant downtown also has less in the way of crime and social problems, although our experience with other cities show us these problems are most often relocated, not eradicated.

If you accept that a vibrant downtown is good for people and good for the local economy, then what's the hang up? It's only a theory, but I can't help but feel that for much of the last 30 years, government couldn't afford to offer developers the kind of money they need to get shovels in the ground. Winnipeg's property tax base was stagnant, and the provincial economy was moving at a glacial pace. And there have been enormous investments in downtown mega projects, which did not leave much in the way of additional money for the smaller developments that are desperately needed now.

The mega projects - Red River College, the MTS Centre, the Forks, CanWest Global Park - have all been successes to some degree. The Pan American Games helped bring much

needed street and bridge scaping into the mix. (I still love the view into downtown crossing north on the Main and Norwood Bridges, although I desperately wished they would have made the public art much larger.) But the theory that those bigger projects would spur other development was just plain wrong. The empty buildings across from the MTS Centre are evidence enough of that.

So, what are the three levels of government to do? The developer, the architect and the real estate agent believe you should make it more affordable for development by offering more money in up-front grants while also lowering property taxes on high-density residential development downtown. The common thread in their proposal is a theory that it's better for the city and other levels of government to collect SOME taxes off downtown development than NO taxes on empty and abandoned properties. And in essence, they are correct. Winnipeg would be better off to have several thousand more residential units downtown generating some property taxes than not having those people living downtown.

Why hasn't government embraced this approach? There is a theory that home and condo owners in the suburbs would revolt if downtown property owners get a tax break. It's possible that government doesn't trust the developers, and feels that making it too affordable would be putting money in a few deep pockets at the expense of the greater interests of the taxpayer. Or, perhaps they feel that it's wrong to offer huge incentives to developers who will no doubt look to build premium residential units that will be outside the means of the average Winnipeg. Or, perhaps they're just scared.

There is hope, all seem to agree, with the upcoming Tax Increment Financing (TIF) legislation coming from the province. This will channel up front grants to developers based on the amount of total property tax the development will pay once completed. Optimists believe this could be a key to sparking a new generation of downtown development. However, there is reason to be concerned government will make it too small, or too complicated, to increase the magnitude and pace of downtown development.

We've studied this one to death. Government may have been wagering that they could offer developers a few crumbs and get them downtown. The bluff didn't work, and it's time to get moving on a new generation of incentives.


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