New Deal Presentation – December 5, 2003

Submitted by the Winnipeg Real Estate Board

Thanks for the opportunity to participate in one of the most engaging and needed dialogues in many years. The Winnipeg Real Estate Board applauds Mayor Murray and the considerable effort by all involved to reexamine and question how we fund our city and to look at alternative revenue streams that can grow with the economy and lessen our reliance on property taxes. Excessive property taxes deter people and businesses from locating here and also hurt efforts to retain residents and businesses. Moreover, a high tax environment discourages investment and improvements in property.

Uppermost in this necessary exercise that has galvanized extensive public debate and media coverage is what kind of future do we want for our city? REALTORS understand probably better than anyone else the importance of Winnipeg offering a good quality of life. We are often the first contact when it comes to prospective home buyers asking questions about schools, neighbourhoods, property taxes, community facilities and amenities, transportation and housing availability and prices. The same can be said on the commercial side of the ledger as potential investors are keenly aware of circumstances and conditions in other cities and want to know definitive answers on what the business climate is here and how responsive our city is to creating favourable conditions for business.

We understand how a pivotal a role local government plays in setting the stage for a city's success and laying out a solid foundation for its future prosperity. We know investing in infrastructure is critical to building a vibrant city and one that is able to compete with the best of them for jobs, people and investment. It is important that we look at this new deal beyond Winnipeg per se and really consider the capital region since a number of the issues raised around specific proposals have been how Winnipeg will be put at a disadvantage to outlying municipalities. Our position as stated in our recommendations to the Regional Planning Advisory Committee is that we need to develop a regional plan. In light of this new deal proposal, the plan should address and incorporate the very valid issues raised under the new deal and while still covering off economic development, proper provision of regional services and long term planning ands coordination of municipality efforts.

Before answering all of the questions posed in the guidelines for new deal delegations, here are a number of key points we wish to make.

1. For any new deal to work and gain our unwavering support, the province has to remove education taxes off of property. It has one position we have held right from the outset of these new deal discussions. At minimum, the province needs to make a commitment over a defined period of time like they are doing now with the education support levy to phase out all

education taxes on property. Without that occurring, we have no assurance that a reduction in municipal taxes will be offset as they have the past few years with increases in education taxes.

We also believe that as was stated in a recent Winnipeg Free Press editorial that as a result of the new deal discussions and in particular the strong emphasis on taxation fairness and talk of allocating the costs of delivering services more equitably to the actual users of them, it has " created a constituency that believes education should be financed out of the general revenues of the province and not on the basis of property taxes." Through your active engagement of the public in a new way to fund government, many citizens came to realize that if there is too much reliance on property to fund all or a portion of city services that have no relationship to owning one, then there is even more reason to question the validity and fairness of funding a core provincial service on the basis of the value of your property or properties.

Most other provinces have moved away completely from funding education based on property taxation and it is high time the same course of action is followed here. The City of Winnipeg cannot ignore this reality since Winnipeggers do not differentiate between municipal and education taxes on their property. They look at the total tax bill in its entirety.

2. We support a move away from property-based taxation to consumption taxes. As a Board, we have adopted a strong user pay philosophy and we feel as long as you can clearly tie the streams of revenues coming in from a consumption tax to a directly-related and necessary municipal service, and fairness is applied in its implementation, then why should we not consider liquor taxes that help pay for the police service or hotel taxes that are targeted to tourism or gas taxes that will fix our infrastructure.

   A major caveat we would place on any new consumption taxes would be building in caps to the levels of taxation that are implemented and a requirement prior to implementation to do a rigorous analysis of the impacts that may result on particular individuals, industry sectors and the economy as a whole. Principles of fairness, accountability, efficiency in administration and transparency must be always kept front and center.

   Property has become the victim of bearing far more than the share it deserves because it is the path of least resistance. It is time a tax shift does occur that creates a fairer distribution of how all Winnipeggers and visitors pay for the services provided to them by the City of Winnipeg. The spin–offs from a shift to other revenue sources and creation of a more realistic property tax regime as is the case in many other North American cities will translate into more investment and much needed improvements to residential properties that in and of itself will generate positive economic impact.

3. Another major point we wish to make is that the new deal has to be revenue neutral. Show us the same pie with a different mix but not an enlarged one.

   We are in total agreement with the Winnipeg Chamber of Commerce that you need to separate discussions of tax shifting from the infrastructure deficit and how you will tackle it over the long term. The whole purpose of this exercise in our view is not to increase our collective tax burden but to spread it out more evenly in how we all pay for it. In terms of a new deal for Winnipeg's infrastructure, we side with the Chamber in the need to develop a long term strategy that specifies where the resources are invested and how it will be funded. This needs to be done in close collaboration with the provincial and federal governments and should be incorporated into a capital region plan.

4. On a final point, the Board is of the opinion that while it appreciates the need to reexamine a different revenue structure, the expense side has to be addressed as well and there is more room for efficiencies despite some of the progress the City has made through some cost-cutting efforts over the past few years.

   First, let us say there are revenues the City is not getting as a result of inefficient processes (e.g. building permits) and legislation that creates an unfair playing field for certain businesses in assessment. In the September 2002 Assessment Task Force Report that the Board was involved in, the Task Force's investigations determined that the costs of administering the assessment system in the City of Winnipeg are significantly higher than in all other jurisdictions in Canada and that an outside consultant should be brought in order to identify best practices throughout the industry and/or consider the establishment of an independent province-wide assessment authority for Manitoba, ending unnecessary duplication in a province with a small population.

   In this same report, it brings to light the fact various utilities and linear properties used for the transportation of goods or people are not assessed or not to the same extent other businesses are. It recommends all properties be assessed and that only the government affected have the authority to exempt properties from taxation. One specific recommendation in this regard is to tax railway infrastructure at fair market value.

   The assessment area is just one example where costs can be reduced and more revenues can be generated. We also know that while the number of employees has been reduced, there has not been the same corresponding percentage decrease in wages. Essentially, we are looking for some quality assurances and commitment from the City that taxpayers in whatever new deal transpires will get value for their money and efficiencies will be always be central to any civic operation and service delivery. In some cases, as in assessment, it may mean the City may not even deliver the service.

Guidelines for New Deal Delegations

In submitting your position regarding the New Deal to the City of Winnipeg, it would be helpful if you could address the following questions.

1. Do you agree with the assessment of the problem…
   a. Do you agree that the infrastructure deficit poses a serious problem? **YES**
   b. Do you agree that the City is under-funded to meet that challenge? **YES**
   c. Do you agree that current practices are unsustainable? **YES**
   d. Do you agree that something has to change? **YES**

2. Do you agree with the concept of a New Deal…
   a. Does the idea of diversifying City revenues in order to have access to growth revenues make sense? **YES**
   b. Does shifting from property-based taxes to consumption-based taxes and user fees make sense? **YES**
   c. Will the proposed changes in taxation encourage more socially responsible outcomes? **THEY SHOULD**
   d. Can you support an increase in overall taxation if it is directed to infrastructure improvements? **IF IT IS CLEARLY DEFINED AND DIRECTED TO NEW INFRASTRUCTURE IMPROVEMENTS. MOREOVER, THE BOARD WOULD WANT TO SEE LEGISLATED OR MANDATED ACCOUNTABILITY.**

3. Do you support the specific components of the proposal (recognizing that decreases in existing taxes need to be offset by increases in new taxes)…
   a. Reducing residential property taxes by 50% to encourage investment in homes and ensuring competitiveness with other municipalities? **LOBBY TO GET EDUCATION TAXES OFF FIRST THEN WE WOULD CONSIDER REDUCTIONS ON MUNICIPAL PROPERTY TAXES**
   b. Leaving commercial property taxes the same while eliminating the business tax in order to promote business development? **YES**
   c. Cutting transit fares in half to encourage transit use and reduce greenhouse gas emissions? **THIS IS INCONSISTENT WITH USER-PAY CONCEPT. WE ALSO CONSIDER IT A LOFTY GOAL AND HOW PRACTICAL IS IT WHEN MANY COMMUTERS WILL STILL USE THEIR CARS INSTEAD OF TAKING A BUS.**
   d. Eliminating the amusement tax to encourage entertainment and cultural events? **YES**
   e. Transferring 5 cents a litre gas tax from existing Federal tax revenue to support the maintenance of roads and public transit? **YES, BUT MORE EMPHASIS ON PUBLIC ROADS THAN PUBLIC TRANSIT.**
   f. Adding 5 cents a litre gas tax new at the pump to support the maintenance of roads and public transit? **LIKELY BUT WE STILL NEED TO BE CONVINCED THAT THIS MONEY IS NECESSARY AS PART OF A LONG TERM INFASTRUCTURE PLAN.**
   g. Adding a 1% sales tax to help pay for services that both residents and non-residents enjoy? **NEED TO BE CONVINCED THAT YOU NEED MORE OPERATING CAPITAL AND MAYBE THIS CAN BE ACHIEVED BY REVENUE-SHARING FROM EXISTING PROVINCIAL SALES TAX.**
   h. Having direct access to a portion of income and sales taxes instead of Provincial grants? **IT MAKES SOME SENSE BUT STILL NEED TO KNOW TO WHAT EXTENT AND WHAT EXACTLY YOU HAVE IN MIND.**
   i. Increasing enforcement fines to recover (at a minimum) the full cost of enforcement? **YES WITH A CAVEAT THAT IT WOULD NOT APPLY TO GENERAL LAW ENFORCEMENT.**
   j. Increasing the tax on natural gas and electricity to 7% encourage energy conservation? **NO. THERE IS REALLY NOT A LOT OF DISCRETION**

FOR CONSUMERS AND BUSINESSES TO SIGNIFICANTLY REDUCE THEIR ENERGY CONSUMPTION.

k. Adding a hotel tax so that non-residents help support tourism and convention development? **YES DEPENDING ON THE LEVEL AS IT SEEMS TO BE THE NORM IN MANY CITIES ACROSS NORTH AMERICA.**

l. Adding a 7% liquor tax to support police response? **YES**

m. Adding a telephone fee of 70 cents per line per month to support the costs of the 9-1-1 service? **YES WITH THE CAVEAT THAT IT WOULD BE RESTRICTED TO A NUMBER OF TELEPHONE LINES PER INDIVIDUAL AND / OR BUSINESSES**

In conclusion, the Board is committed to working with the City of Winnipeg and the two senior levels of government to come up with a better deal for all Winnipeggers. There is only one taxpayer and the public more than anytime previously is beginning to fully understand as we do that property cannot continue to bear such a high percentage of the costs of running a city and of funding provincial education. Better revenue-sharing arrangements between the three levels of government that build in long term stable funding for Winnipeg will have to form part of any new deal regardless of the Province's rejection of any of the current new deal proposals.