Economic Opportunities Commission Report
Exchange District BIZ – Presentation to Executive Policy Committee

Background

The City of Winnipeg's has targeted its business tax for elimination. The business tax is calculated by multiplying a business's Annual Rental Value (ARV) by the business tax rate. Currently, businesses pay at a rate of 7.75%. Last year there was a cap of 15% placed on increases to the business tax based on ARV changes from the prior assessment year (2002) to the current one (2006).

Local business groups, most notably the Chamber of Commerce, have been pushing for the elimination of the business tax for many years, seeing it a regressive tax and an impediment to growth. It has also been noted that most cities have eliminated their business tax (for example, Regina) therefore Winnipeg's competitiveness as a location for business is negatively affected.

The major constraint to eliminating the business tax is that is brings approximately $55 million in annual revenue to the city, comprising about 8% of its entire operating budget.

The Exchange District BIZ is one of 15 geographic business improvement zones in Winnipeg. The Exchange District BIZ is the city's third largest, with 425 businesses paying, by law, into its annual budget. Most of the businesses in the area pay less than $2,000 per year in business tax. A summary of the Exchange District BIZ ARV & Business Tax Payment follows:

ARV	Bus Tax Range	# in Zone	Percent
200,000 – 1 million	$15K - $77K	19	4.0%
25,000 – 199,999	$ 2K - $15K	110	26.0%
300 – 24,999	$ 23 - $ 2K	296	70.0%

Key Considerations

The Exchange District BIZ is supportive of the elimination of the business tax. In particular, there is a concern that the business tax is not targeted to a specific purpose such as neighbourhood improvement, for example. The tax is an extra expense that may be difficult to bear for a (physically) small business and represents lost re-investment or job creation opportunities for a (physically) large business. Fluctuations (within a neighbourhood) and variances (between neighbourhoods) in the business tax depend largely on a corporation's physical size and the geographic location of the business. It is not tied to the actual performance of a business.

In our original submission to the Economic Opportunities Commission (EOC), we expressed concern with the loss of revenue to the City budget and how this may impact "street level" services. The health and vibrancy of the Exchange District depends a great deal on its cleanliness, safety, beautification and the protection of heritage resources, for example; these are largely municipal responsibilities. We noted that we do not want to see cuts to these types of services. In fact, six months later, we have noticed a strong commitment from the City of Winnipeg to many of these items. Of note is the "Clean & Green" funding that has strengthened maintenance services to the downtown. As stated in the EOC Report, this is an area where the BIZ groups can continue their partnerships with the City and develop new pilot projects to this regard.

Our original submission stated that we feel that a combination of finding efficiencies in existing operations in addition to creating new sources of revenue must be found. The EOC Report addresses these points and ensures the elimination of the business tax is responsibly phased in over multiple years.

A side issue with the proposed business tax elimination is that the annual levies that support Winnipeg's BIZes are calculated in much the same way as the business tax and in fact collected with the business tax. Therefore, if the assumption can be made that the ARV will no longer be calculated once the business tax is eliminated – the BIZ funding formula will require change. The Exchange District BIZ, through the Winnipeg BIZ Association, has done some cursory research on this issue and appreciates it was "flagged" in a letter Councillor & EOC Chair Scott Fielding wrote to Mayor Sam Katz dated June 21, 2007 and cc'd to the BIZ groups.

Feedback on Specific Recommendations

- Civic Leadership: Winnipeg should gain new / improved fiscal arrangements and exploring efficiencies with the provincial government (EOC report page 37)
    - ⇒ We require a "new deal" for cities in general – economic engines of the country that receive a disproportionate share of the taxes they help to generate.
    - ⇒ let's get parochial for a moment: the Exchange District BIZ runs a farmers' market. We encounter health inspection and permitting differences with respect to other farmers' markets under provincial jurisdiction and would appreciate a level playing field.

- Partnerships: The City of Winnipeg should leverage the volunteer energy of BIZ groups such as the Exchange to help deliver services in certain areas. This concept goes way back in the Exchange District as we took over the guided historic walking tours program from the City of Winnipeg Recreation Department about 10 years ago.

    ⇒ Key examples: (EOC Report Page 28) Last year's graffiti removal allocation and this year's "Clean & Green" funding has allowed the Exchange District BIZ to undertake enhanced maintenance activities in these areas. We have complemented our summer clean team crew and created a new position that will offer graffiti removal and litter control to the area year round.
        - Benefits to the BIZ: we build the capacity of our organization to provide the community enhancement services according to the objectives set out in the City of Winnipeg BIZ bylaw;
        - Benefits to the Exchange District: The BIZ is able to "troubleshoot" and therefore effectively meet the specific needs of the community. This is key with graffiti prevention as removal within 24 hours is critical.
        - Benefits to the taxpayers of the City of Winnipeg: the BIZ is able to provide these services more efficiently than the municipal government. Further to this – our organization's corporate governance is strong, we follow a strategic plan, and we are diligent about transparency and ensuring we follow reporting requirements. As a quasi-public agency and essentially an arm of the City we take great care with how we spend tax dollars.

    ⇒ As our capacity and track record continues on this positive trajectory we are definitely open to exploring new service areas with the City of Winnipeg.

Annual Rental Value Calculation & The BIZ Levy

BIZ Levy Funding: The BIZ levy is not tied to the Business Tax. Each BIZ sets its own budget each year and the corresponding BIZ levy required to achieve that budget is calculated by the City's tax branch and then levied against businesses in the zone each spring. The BIZ levy is collected along with the business tax. The elimination of the tax is germane to the BIZ for one reason: once the business tax is eliminated to zero, the City will no longer need to calculate Annual Rental Value.

My cursory research on this project indicates that most Business Improvement Districts are in fact based on a property tax assessment, not a business tax assessment.

I concur with Councillor / EOC Chair Scott Fielding's letter to Mayor Katz dated June 21, 2007. As Secretary / Treasurer of the Winnipeg BIZ Association I can report that we have discussed this matter at meetings over the past several months. We have decided to form a small sub-committee to take this on as a project. Myself and representatives of the West End BIZ and the St James BIZ have put our names forward for the committee so far and it is tabled as an agenda item for our next meeting in the Fall. I anticipate that we will look at directing a small research project on this subject and come to the City with a series of recommendations for a new funding model and corresponding bylaw. We look forward to working with the City on this issue due to its direct impact on BIZ groups.

Conclusion

The Exchange District BIZ supports the initiative to eliminate the business tax. We would like to see the resulting revenue shortfall attributed to the tax cut made up through a combination of creating efficiencies as well as creating new sources of revenue. The BIZ is open to exploring partnerships with City departments to take on community enhancement services such as litter control, graffiti removal, maintenance, and beautification. We are pleased to see the "side issue" of the BIZ levy is being taken into serious consideration this early in the process and will work on a new funding model with the City.

The BIZ values entrepreneurship and recognizes business prosperity and growth will assist in the shared goal of improving the Exchange District, downtown and in fact the entire city. We look forward to working with the City on the business tax and other issues in the future.

Submitted by:
Lisa Holowchuk
Exchange District BIZ
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