Additions to Reserve
Municipal Tax Loss Concerns

Potential Municipal Property Tax Losses from First Nation ATRs

Prepared for: The First Nations Tax Commission

This paper reflects the views of the authors only and not necessarily those of First Nations Tax Commission

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Table of Contents

Executive Summary

First Nations additions to reserve near urban locations are economically and fiscally beneficial to First Nations and local governments. They provide First Nations access to markets and employment and housing opportunities. They can support improved services and infrastructure. Despite this, some local governments have expressed concerns about tax loss from urban ATRs.

This paper investigates local government tax loss from possible urban ATRs. Two methods were used. First, we looked at the tax loss provisions in treaty land entitlement agreements in Saskatchewan and Manitoba. Second we looked at existing service agreements in BC to estimate tax loss to local governments from First Nations located near local governments. Our three findings were as follows:

1. The potential for municipalities to lose property tax revenues when a First Nation acquires land within a municipality and converts it to reserve status is either zero or small and where it is small it is more than offset by other fiscal benefits.
2. Local governments in Manitoba and Saskatchewan are compensated by their provincial and/or federal governments for any reductions in property tax revenue not made up through service agreements under the TLE framework.
3. Local governments in BC can enter into service agreements with the First Nation and receive property tax equivalent payment for the services they are selling and achieve cost savings by not selling services for which the property tax cost is higher.

In addition, we included previous research that estimated the fiscal and economic benefits for First Nations and local governments from facilitating investment on urban or near urban First Nations. The principle finding from this is that investment on urban ATRs generates significant fiscal and economic benefits for First Nations and local governments. These benefits can potentially be much higher than any possible tax loss.

Based on this research two next steps are suggested for the FNTC. First, review this research and develop a communications approach for its dissemination. Second, continue to advance FNTC recommendations to improve the efficiency and effectiveness of ATRs.

Introduction

In many cases First Nation reserves are too small and poorly situated to meet the residential and commercial development aspirations of the community. Sometimes legal obligations to the First Nation have not been fulfilled and the First Nation is entitled to more reserve lands than it is currently allotted.

First Nations can purchase land and turn it into reserve lands, but the ATR must be approved by AANDC under its Additions to Reserve policy. Between 2006 and 2013, AANDC approved a total of 339,982 hectares of ATRs under its 2001 ATR policy. However, the process needed to be accelerated and streamlined to become more efficient. This led to the proposed revisions to the policy on ATRs and reserve creation which was circulated for comments between August and October of 2013.

Although reaction to the proposed more efficient ATR process was generally positive, there were some concerns from local government groups such as the Lower Mainland Treaty Advisory Committee. The Committee was concerned about the potential financial impacts to the local government tax revenues, including the school tax portion of property taxes and contributions to regional services such as transit. The Committee was also concerned about harmonization of property taxes and wanted comprehensive service agreements to be a pre-requisite for approval of ATRs.

The FNTC supports the creation of urban reserves because urban ATRs represent a powerful tool to help reduce the economic disparity between First Nations and the rest of Canada. Some of the most successful First Nations in Canada have reserves that are located adjacent to municipalities.

Urban ATRs can provide

- greater access to markets,
- an enhanced ability to attract investment,
- improved business opportunities both for band-owned and member-owned businesses,
- increased employment opportunities,
- greater housing opportunities,
- access to higher levels of infrastructure and services, and
- increased First Nation government revenue opportunities, including property tax.

These increases in investment, development, employment, and housing create a virtuous cycle of continued growth in the First Nation's property tax base and significant economic and fiscal benefits for both the First Nation and the adjacent municipality.

The FNTC would like to investigate the concerns raised and improve communications in support of urban ATRs. In this regard, the FNTC has begun to work with the Union of BC Municipalities and in 2014, the FNTC and the UBCM co-released a report by Professor Robert Bish and Fiscal Realities entitled "*First Nation Property Tax, Services, and Economic Development in British Columbia*".

This paper compliments that previous research and is divided into four sections:

1. ATR Tax Loss Questions and Approach,
2. Research on ATR Tax Loss and
3. Potential Benefits from urban ATRs
4. Conclusions and Next Steps

ATR Tax Loss Questions and Approach

Are local governments losing revenues from ATRs when they are being compensated through service agreements?

AANDC requires service agreements before declaring land an urban reserve:

> *"Land can be declared an urban reserve provided that a number of agreements have been negotiated between individual First Nations and the municipality. A municipal servicing agreement is particularly important because it provides a fee for services such as water, garbage collection, police and fire protection, an amount which is generally equal to the amount the municipality would have collected through property taxes. Education tax loss and service agreements with affected school divisions must also be negotiated by the First Nation, including a mechanism for settling disputes." (AANDC)*[1]

First, we examined the direct compensation that Manitoba and Saskatchewan offer to municipalities affected by Treaty Land Entitlements (TLEs) by reviewing the guidelines for the compensation funds that have been created.

Second, we reviewed some of the comprehensive service agreements that have been negotiated between First Nations and neighboring local governments in BC. There has been a history in BC of municipalities collecting property taxes from on reserve leaseholders without proving local services. This changed with the Kamloops amendment to the Indian Act in 1988 which gave First Nations the authority to collect property taxes and provide services directly or through a service agreement with a neighboring local government.

[1] Backgrounder – Urban Reserves a Quiet Success Story, AANDC https://www.aadnc-aandc.gc.ca/eng/1100100016331/1100100016332

Research on ATR Tax Loss

Municipal Tax Loss Compensation in TLEs - Manitoba

Section 14.01 of the Manitoba TLE Framework Agreement provides that

> *14.01 Municipal and School Taxes*
>
> *(1) Manitoba will consider on a case by case basis the relevant implications on Municipal and School Taxes, if any, of the setting apart of land as Reserve, following the conclusion of a Municipal Development and Services Agreement.*

The intent of tax loss compensation is to address loss of a tax base for municipalities affected by TLE. It originally applied only to municipalities affected by Schedule B Entitlement First Nations (EFN) under the Manitoba Framework Agreement (1997). In 2006, Manitoba's compensation package expanded to include municipalities affected by the Roseau River, Long Plain, and Swan Lake First Nations TLE Treaty #1 Settlement Agreements, including Peguis First Nation (2008).

Guidelines

Eligible municipalities whose municipal revenue has been impacted by the creation of new reserves under the Manitoba Treaty Land Entitlement Framework Agreement can apply to the province for funding support.

One-time compensation will be paid upon approval to those municipalities demonstrating a net loss in municipal tax revenues as a result of conversion of land to reserve status in an amount equivalent to five times (5x) the annual net tax loss at the time of conversion.

Municipal tax loss compensation is available to municipalities who meet the following conditions:

1. TLE sites have converted to reserve;
2. TLE sites were converted as part of the Manitoba Treaty Land Entitlement Framework Agreement;
3. TLE sites are situated within municipal boundaries;

4. TLE sites were subject to municipal property tax or grant-in-lieu prior to reserve status;
5. A net loss in municipal tax revenue has occurred as a result of transfer to reserve status.

A net loss in municipal tax revenue occurs when fees and charges payable by a First Nation as part of a Municipal Development and Services Agreement (MDSA) do not completely offset the annual municipal taxes that would be normally levied on a property. Or it may be that a MDSA has not been negotiated, resulting in a net loss in municipal tax revenue.

An application form must be completed for each TLE site that when converted to reserve results in an annual net loss in municipal tax revenue. Municipalities can apply upon receiving notice that the land has converted to reserve. A notice confirming that the land has transferred to reserve will be sent to municipalities by Manitoba Aboriginal and Northern Affairs. If several sites are anticipated to be converted to reserve, resulting in a net loss in municipal revenue, applications may be bundled and submitted periodically.

Municipal Tax Loss Compensation in TLEs - Saskatchewan

In Section 9.01, the Saskatchewan Treaty Land Entitlement Framework Agreement requires that where urban reserves are created, the Entitlement First Nation and the local government must enter into a service and compensation agreement:

> *9.01 AGREEMENT REQUIRED WITH URBAN MUNICIPALITY, NORTHERN MUNICIPALITY AND SCHOOL DIVISION:*
>
> *(a) Notwithstanding any other provision of this Agreement, but subject to subsection 9.01(b) hereof, Lands and Improvements Purchased by an Entitlement Band within the boundaries of an Urban Municipality, a Northern Municipality or within the Northern Administration District will not be set apart as an Entitlement Reserve until an agreement has been entered into between the Entitlement Band, and the affected Urban Municipality or Northern Municipality and any affected school division operating within such Urban Municipality, Northern Municipality or the Northern Administration District (in this Article such school divisions are referred to as the "affected school division"), respecting the following matters:*

(i) the provision of and payment for compensation to the Urban Municipality or Northern Municipality for loss of taxes, levies or grants-in-lieu, which, but for the setting apart of the Entitlement Reserve, could reasonably have been expected to have been received by the Urban Municipality or Northern Municipality for its own purposes by the substitution of one of the following or a combination thereof:

(A) a servicing agreement between the Entitlement Band and the Urban Municipality or Northern Municipality, whereby the Urban Municipality or Northern Municipality would agree to provide municipal services in consideration for a fee to be paid by the Entitlement Band; or

(B) a one-time lump sum payment, or periodic payments, or some other formula negotiated between the parties, provided, however, the amount of such compensation will not necessarily be equal to the amount of such taxes, levies or grants-in-lieu;

(ii) compensation for the affected school division for loss of taxes, levies or grants-in-lieu which, but for the setting apart of the Entitlement Reserve, could reasonably have been expected to have been received by the affected school division; provided, however, the amount of such compensation will not necessarily be equal to the amount of such taxes, levies or grants-in-lieu but may be based on a one time lump sum payment or periodic payments or some other formula negotiated between the parties. It is acknowledged by the parties that if the Entitlement Band will not be receiving any direct service or benefit from the affected school division in consideration for such payment or has entered, or will enter, into a tuition agreement, the same shall be a factor in determining the amount of any such payment;

(iii) to the extent reasonably necessary, compatible municipal and band bylaws and their application and enforcement; and

(iv) an appropriate dispute resolution mechanism for resolving matters of mutual concern.

When the Saskatchewan Treaty Land Entitlement Framework Agreement was negotiated, it was thought that the vast majority of land to be purchased by Entitlement Bands (to be thereafter set apart as an Entitlement Reserve) was likely to be situated in Rural Municipalities. Two separate tax loss compensation funds were established to help offset the anticipated loss of tax revenues to municipalities. Because the funds have been established, the Entitlement Bands are not required to pay tax loss compensation to either Rural Municipalities (or Rural School Divisions operating within such municipalities) when purchasing land or seeking to have such land set apart as an Entitlement Reserve under the Framework Agreement.

Rural Municipal Compensation Fund

Within 90 days of the date upon which "Taxable Land" within a Rural Municipality has been set apart as an Entitlement Reserve under the Framework Agreement, Canada and Saskatchewan shall pay to the Rural Municipal Compensation Fund a sum that is equivalent to 90% of 25 times the "Municipal Taxes" which had been levied on the Taxable Land in the previous calendar year. Canada pays 70% of this amount, and Saskatchewan pays 30%. The maximum amount payable (in total) to the fund is $25 million. This fund is administered by the Saskatchewan Association of Rural Municipalities, which will assist the governments to calculate the tax loss when necessary.

The purpose of the fund is to provide tax loss compensation to rural municipalities that lose taxable property from their assessment base due to lands being given reserve status in the settlement of Treaty Land Entitlement claims. The trust fund is designed to provide a perpetual return thus enabling rural municipalities to receive some level of tax loss compensation indefinitely.

Annual payments from the returns on investment are made to rural municipalities, based on ninety per cent of the current municipal taxes, less a five per cent administration fee.

The Saskatchewan Association of Rural Municipalities also administers a Rural Municipal Specific Claims Tax Loss Compensation Trust Fund. "Specific" land claims are when a First Nation Band received the land they were entitled to under treaty originally, but part of the land was taken fraudulently, or sold but not paid for. The purpose of the fund is to provide tax loss compensation to rural municipalities that lose taxable property from their assessment base due to lands being given reserve status in the settlement of specific land claims. The trust fund is designed to provide a perpetual return thus enabling rural municipalities to receive some level of tax loss compensation indefinitely.

The trust fund originally received the sum of $2.8 million from the Province of Saskatchewan. In addition, the fund receives tax loss compensation paid by First Nations Bands to rural municipalities. The $2.8 million from Saskatchewan relates to a maximum of 300,000 acres of land attaining reserve status. Included in their land claim compensation from the federal government, First Nations Bands receive a certain amount of funding for rural municipal tax loss compensation. This funding is based on five times the previous year's municipal tax and is to be paid to the affected rural municipalities.

Annual payments from the returns on investment are made to rural municipalities, based on sixty or forty per cent (depending on whether the funding provided by the First Nation Band are received by SARM) of the current municipal taxes, less a five per cent administration fee.

Rural School Division Compensation Fund

Within 90 days of the date upon which Taxable Land within a Rural Municipality has been set apart as an Entitlement Reserve under the Framework Agreement, Canada and Saskatchewan shall pay to the School Division Compensation Fund a sum that is equivalent to 70% of 25 times the "School Taxes" which had been levied on the Taxable Land in the previous calendar year. Again, the maximum obligation of the two governments (in total) to the School Division Compensation Fund is $25 Million, with Canada bearing 70% and Saskatchewan bearing 30%.

This fund is administered by Saskatchewan. The existence of the fund has no effect on tuition agreements between the School Divisions, Canada, and the Entitlement Bands.

Urban Centres

If a First Nation purchases land in an urban centre, it must negotiate a service agreement with the affected municipality on tax loss compensation, by-law compatibility, and dispute resolution prior to reserve creation. The First Nation must also negotiate an agreement with any affected school division.

Manitoba and Saskatchewan Summary

In addition to negotiated service agreements, Manitoba and Saskatchewan local governments are being compensated by the provincial government (Manitoba) or federal and provincial governments (Saskatchewan) for any reduction in property tax revenues as a result of ATRs by Entitlement First Nations.

	Compensation	Duration
Manitoba	500% net annual tax loss	One-time payment
Saskatchewan		
Rural Municipal Compensation Fund	90% of current municipal taxes less 5% administration fee	Perpetual
Rural Municipal Specific Claims Tax Loss Compensation Fund	500% net annual tax loss + 40% to 60% of current municipal taxes less 5% administration fee	One-Time Payment Perpetual
Rural School Division Compensation Fund	70% of current school taxes levied on the taxable land	Perpetual

Service Agreements in British Columbia

The FNTC encourages the use of service agreements for the provision of local services among neighbouring jurisdictions. Service agreements often allow for the provision of local services at lower cost, due to economies of scale, access to capital infrastructure, reduction of duplication, and utilization of excess capacity. Service agreements can also help to build positive relationships, increase investor confidence, and facilitate ATRs.

There are now many contracts between First Nations, municipalities, and regional districts. In general, contracts provide for the provision of on-site services to reserve lands (in some cases just leaseholds; in others the entire reserve). The common services negotiated within these agreements are fire protection, water provision, sanitary sewage collection and disposal, and 911 emergency dispatch. In some cases, they can also include such services as building inspection, transit, storm water management, dog control, noxious weed control, parks and recreation, and libraries.

Payment approaches vary with the two most common being a negotiated price for the service package or a payment equal to the municipal taxes that would have otherwise been collected from the leaseholders.

Different approaches are taken because reserve lands vary considerably both in their land use and in the relationship between taxes that would be raised at municipal rates and the costs of services. In general, reserves with commercial or high valued residential properties would raise more tax revenue than service costs while reserve lands that are residential, especially if occupied by low-valued mobile homes, do not generate sufficient taxes revenues to cover service costs.

The Federation of Canadian Municipalities has created a service agreement toolkit which recommends a tax-equivalency pricing model for comprehensive service agreements:

> *"It can be difficult to separate out the costs of individual municipal services. Thus, for comprehensive municipal service agreements where municipalities are providing the services, fees equivalent to municipal service taxes can be established for First Nations who are receiving such services. Not only is tax equivalency easier to establish, oftentimes tax equivalents end up being less costly than charging individual full cost for each service."* [2]

The FNTC also encourages the use of tax equivalency pricing for local services.

Some municipalities have entered into contracts to provide services at a tax-equivalent price to residential reserves because they recognize that the reserve leaseholders are part of their community and that everyone will benefit if reserves maintain higher service quality and have future economic development.

BC Service Agreement Examples

Participants	Year	Services	Cost
Central Saanich and Tsawout First Nation	2007	• General Government Services • 911 Emergency Dispatch • Fire Protection • Public Works • Parks and Recreation • Contingency Wages • Reserves and Contingency Funds	$80,251 per year (adjusted slightly every year based on tax levy - 5% max increase per year).
Campbell River and Campbell River Indian Band	2005	• "Municipal services that are ordinarily provided to the City's residents." • Maintenance and Repair is taken care of by the city.	72.5% of the property taxes using the city's tax rates. Water and Sewer: User fee is charged by the city for water and sewer services.
Central Okanagan RD and Westbank First Nation	2007	• Mt. Boucherie Arena • Johnson-Bentley Aquatic Centre • Westside Seniors Activity Centre • Westside Transit Services • Handi-dart Transit	Net taxable values of lands and improvements in the First Nation multiplied by District service annual requisition. Landfill: Number of parcels in the First Nation multiplied by parcel tax (cost of

[2] CIPP Toolkit Unit 3 Guide to Service Agreements. Federation of Canadian Municipalities. P.81 www.fcm.ca

Participants	Year	Services	Cost
		• Regional Parks • Okanagan Basin Water Board • Effluent/Water Disposal • Regional Rescue Service • 911 Emergency Number • Crime Stoppers • Victims/Witness Assistance • Westside Sanitary Landfill	district services divided by number of parcels in district electoral areas [Westside and Eastside]).
RD East Kootenay and Akisqnuk First Nation	2007 2011	• Building and plumbing inspection • Dog control • Emergency 911 • Eddie Mountain Memorial Arena • Parks and Trails • Emergency response and recovery program • Fire protection • Grants in aid • Libraries • Regional hospital district • Regional parks • Septage disposal • Solid waste disposal and weed control	Sum of the levies made by RDEK for the services for that calendar year multiplied by the assessment of all non-native interests on-Reserve as determined by the First Nation.
RD East Kootenay and Shuswap Indian Band	2007 2011	• Dog Control • Emergency 911 • Eddie Mountain Memorial Arena • Parks and Trails • Emergency response and recovery program • Grants in aid • Libraries • Noxious weed control • Regional Hospital District • Regional Parks • Septage Disposal • Solid Waste Disposal	Sum of the levies made by RDEK for the services for that calendar year multiplied by the assessment of all non-native interests on-Reserve as determined by the Band.
District of North Vancouver and Tsleil-Waututh Nation	2005	• Discharge of storm water (maintenance and repair also) • Discharge of Sanitary Sewage (maintenance and repair also) • Provision of water (maintenance and repair also) • Firefighting protection	$484,852.15 per year and an increase or decrease in the Annual Service Charge equal to % change in total resident tax levy of the District on District ratepayers (single and multifamily residential properties) and a % increase or decrease in the Annual Service Charge equal to the number of additional completed units of any development as a % of the total number of units of any development existing the previous calendar year.

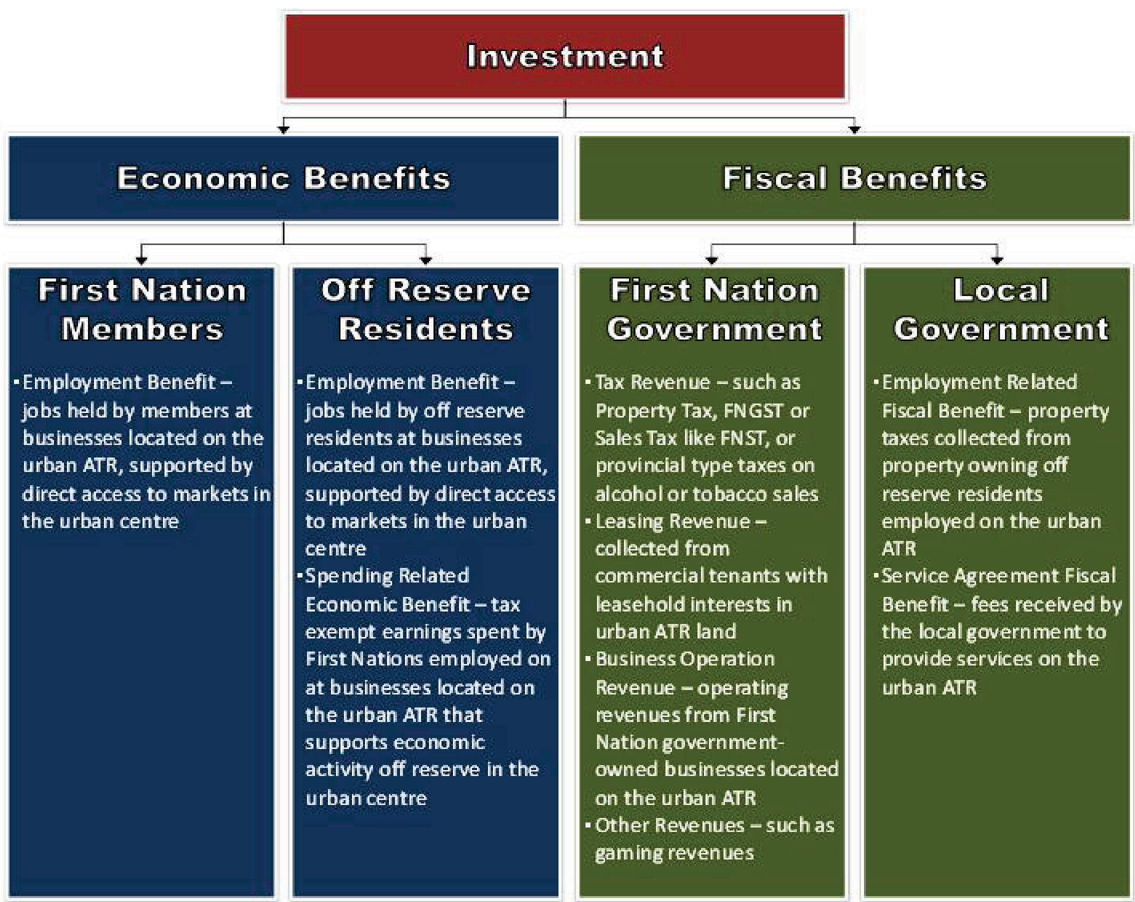
Participants	Year	Services	Cost
Central Saanich and Tsawout First Nation	2001	• General Government Services (related to services) • 911 Emergency dispatch • Fire Protection • Emergency Measures • Public Works • Parks and Recreation • Contingency Wages • Reserves and Contingency Funds	Property tax (rate multiplied by assessment) of all property classes multiplied by (Gross expenditure minus non tax revenue) divided by (General and debt tax levy plus Tsawout First Nation's contribution).

BC Summary

In most cases, BC local governments are receiving the property tax equivalent payment for the services they are selling to the First Nation so they are not losing revenues. They are receiving the same property taxes they would have received for those services. In other cases, the municipality experiences a cost savings as it is no longer responsible for providing services to the ATR property. This is especially true when the cost of the service is higher than the property taxes that would have been received to pay for those services. The result is that in most cases there is no tax loss to local governments from ATRs. Moreover, as is discussed in the next section, local governments actually have significant fiscal and economic benefits from economically successful ATRs near them.

Potential Benefits from Urban ATRs

Investment on reserve land that is adjacent to a municipality or other local government can generate significant fiscal and economic benefits for the municipality and its residents. In 2014, Fiscal Realities prepared a report for the National Aboriginal Economic Development Board entitled "*Improving the Economic Success of Urban Additions to Reserves - Achieving Benefits for First Nations and Local Governments*" which examined six pairs of First Nations and municipalities. All of the First Nations had been successful in attracting large investments to reserve lands near municipalities. In addition to identifying success factors for attracting investment, the report found that the investment generated millions of dollars of economic benefits for reserve residents and off-reserve residents, and millions of dollars of fiscal benefits for First Nation and local governments. This is illustrated by the following diagram:



Benefits of Investment near an Urban Centre

The benefits generated from investment on urban reserves should be representative of the potential benefits available from investment on urban ATRs. The table below provides an estimate of the potential economic and fiscal benefits from six tax colleting First Nation near urban locations.

Type of Benefit	Estimate of Average Impact
Economic Benefits Attributable to Investment on Urban Reserves	Average Economic Benefits (Realized by Reserve Residents) • In addition to construction phase jobs, an estimated 450 ongoing jobs Average Economic Benefits (Realized by Off Reserve Residents) • In addition to construction phase jobs, an estimated 730 ongoing jobs • An estimated $13 million annually in support of economic activity off reserve
Fiscal Benefits Attributable to Investment on Urban Reserves	Average Fiscal Benefits (Accruing to First Nation Governments) • An estimated $5 million annually[3] Average Fiscal Benefits (Accruing to Local Governments) • Fees collected by local governments for the provision of services on reserve • An estimated $800,000 annually in property taxes

Stated differently, local governments can receive significant benefits from urban ATRs. Appendix A and B also contain preliminary estimates of total First Nation investment and fiscal benefits that could arise from TLEs in Manitoba and Saskatchewan. These two estimates demonstrate the significant benefits (over $100 million in annual property tax revenues and over $3 billion in investment in both provinces) available to First Nations form urban ATRs. The benefits to local governments in these provinces would also be significant.

[3] This includes property tax, payments in lieu of property tax, goods and services tax, motive fuel tax, development cost charges, and revenue from First Nation-owned business operations. These are in addition to other First Nation government revenues like land leasing, liquor consumption tax, tobacco tax, and gaming revenue.

Conclusions and Next Steps

The findings in this report can be summarized in four statements:

1. The potential for municipalities to lose property tax revenues when a First Nation acquires land within a municipality and converts it to reserve status is either zero or small and where it is small it is more than offset by other fiscal benefits.
2. Local governments in Manitoba and Saskatchewan are compensated by their provincial and/or federal governments for any reductions in property tax revenue not made up through service agreements under the TLE framework.
3. Local governments in BC can enter into service agreements with the First Nation and receive property tax equivalent payment for the services they are selling and achieve cost savings by not selling services for which the property tax cost is higher.
4. Investment on urban ATRs generates significant fiscal and economic benefits for First Nations and local governments. These benefits can be significantly higher than any possible tax loss.

This research demonstrates that counter to the contention of some opponents to urban ATRs that the more successful the urban ATR the better it is fiscally and economically for local and First Nation governments. Urban ATR success requires a competitive investment climate, business grade infrastructure, good property rights, a strong tax system, and the legal and administrative framework to support markets.

The FNTC can help with all of this. The FNTC supports First Nations to create positive investment climates and reduce barriers to economic development on First Nation lands. The FNTC helps First Nations to establish property taxation to fund local services and infrastructure. The FNTC helps facilitate service agreements between First Nations and local governments. The FNTC supports strong property rights systems. The FNTC also helps First Nation to develop First Nation taxation and economic development capacity through its partnership with the Tulo Centre and Thompson Rivers University.

Next Steps

1. The FNTC should review this report and after it is finalized consider communication options such as:
    a. Publishing the report on the FNTC website
    b. Presenting the report to interested First Nations at conferences and other opportunities
    c. Presenting the report to interested local and provincial governments
2. The FNTC should continue to advance the recommendations it made to improve the urban ATR process and work with AANDC to implement these recommendations listed below.
    a. Estimate the fiscal and economic benefits from proposed ATRs to support communications with First Nation members and local governments
    b. Encourage ATR First Nations to use FMA and implement tax systems to generate fiscal benefits from ATRs
    c. Encourage ATR First Nations to explore FMA infrastructure financing options that may complement service agreements and increase mutual benefits with local governments
    d. Use FNTC service agreement facilitation services to reach First Nation-local government service agreements that are based on property tax equivalency
    e. Encourage administrative capacity development through Tulo Centre courses and certificates

Appendix A - Preliminary Estimate of Investment and Property Tax Revenue Potential for Saskatchewan TLE First Nations

The Saskatchewan Treaty Land Entitlement Framework Agreement applies to 25 First Nations and provides $440 million over 12 years to purchase land, mineral rights, and improvements in land.[4] There are nearly 2.3 million acres of potential TLE land in Saskatchewan.

If 1% of the TLE is converted to reserve land and developed over the next 15 years, TLE First Nations could realize almost $2.4 billion in investment and annual property taxes of $32.7 million.

Over 15 years gross property tax revenue would total close to $300 million. If all TLE land were located inside of municipal boundaries, First Nations would net $136 million of this tax revenue after municipal service agreement costs. If all TLE land were located outside of municipal boundaries First Nations would net $193 million of this tax revenue after municipal service agreement costs. This is a difference of $57 million dollars over 15 years.

This estimate assumes that 30% of TLE development occurs near larger centres and 70% of TLE development occurs near smaller centres. In both cases, development is assumed to follow a straight line growth rate.

Of the TLE land near larger centres assumed to be developed over the next 15 years, property use is assumed to be 60% residential, 35% commercial and 5% industrial. Of the TLE land near smaller centres assumed to be developed over the next 15 years, property use is assumed to be 40% residential, 25% commercial and 35% industrial.

Property values and tax revenues were assumed to be similar to four reference municipalities in Saskatchewan.

Using these assumptions, the tables below summarize the investment and property potential estimates for Saskatchewan TLE First Nations.[5]

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[4] Synopsis of TLE Framework Agreement - http://www.fnmr.gov.sk.ca/lands/tle/fa-synopsis/

[5] A more comprehensive methodology to this estimate is available.

Saskatchewan Impacts of Developing Lands Added to First Nation Jurisdiction

Saskatchewan Impacts of Developing Lands Added to First Nation Jurisdiction			
	Year 5	**Year 10**	**Year 15**
Assumed Number of Acres Developed (Cumulative)			
Total Acres	2,239	4,479	6,718
Estimated Present Value of Total Investment (Cumulative)			
All Classes	789,698,782	1,618,393,157	2,487,527,335
Estimated Person Years of Employment Directly Created (Cumulative)			
Residential	4,507	9,013	13,520
Non-Residential	1,914	3,922	6,029
Estimated Present Value of Lease Revenue (Annual)			
Residential	7,944,629	8,140,784	8,341,781
Non-Residential	11,596,887	23,766,433	36,529,845
Estimated Present Value of Property Tax Revenue (Annual)			
All Classes	10,408,998	21,331,995	32,788,029
Net FN Property Tax Revenue After Municipal Servicing Costs (annual)			
TLE Land inside Municipal Boundaries	6,944,143	9,704,907	14,916,784
TLE Land Outside Municipal Boundaries	9,855,975	13,774,387	21,171,720

The values in these should be considered as preliminary draft for a number of reasons including:

1. The estimates are not based on specific TLE land use or economic plans
2. The estimates assume that TLE First Nations will implement property tax and local revenue systems and provide competitive economic infrastructure to investors
3. The estimates assume that TLE First Nations will implement the legal and administrative framework necessary to facilitate investment on their lands
4. The estimates assume that at least 1% of the TLE lands will be used to attract investment
5. The estimates assume relatively stable land values and local revenue systems in Saskatchewan for the next 15 years.

Appendix B - Preliminary Estimate of Investment and Property Tax Revenue Potential for Manitoba TLE First Nations

Twenty First Nations in Manitoba have an opportunity to acquire 1,101,482 acres of land through the Manitoba Treaty Land Entitlement Development Agreement. This amount of land is equal to 10 cities the size of Winnipeg. In 2003, Winnipeg had total assessed values of over $27 billion.

If 1% of the TLE is developed by 2023, TLE First Nations could realize almost $4 billion in investment, and annual property taxes of $87 million.

This estimate assumes that 33% of TLE development occurs near the capital region and 66% of TLE development occurs away from the capital region.

Estimates of Winnipeg assessed values were used for capital region development, and were discounted 50% for non-capital region development. Assessed values were assumed to have a 1.5% growth rate. Density of development was also discounted 75% for non-capital region development.

Development was assumed to be 80% residential and 20% commercial.

The estimate used East St. Paul mill rates from 2008 of $37.937 for residential properties and $53.617 for commercial properties. As per Manitoba assessment adjustment methods, 45% of residential assessments and 65% of commercial assessments were subject to tax.

Service costs were estimated as 45% of property tax revenues based on FNTC experience in facilitating over 20 First Nation-local government service agreements.

Using these assumptions, the tables below summarize the investment and property potential estimates for Manitoba TLE First Nations by 2015 and 2023.

Estimated Investment and Property Tax 2015 – .5% of TLE Developed

Year 2015	Number of Acres	Estimated Value per acre	Estimated Total Assessed Value	Estimated Property Taxes	Estimated Service Costs
Capital Region Residential	1,410	665,000	938,209,400	16,016,800	7,207,600
Capital Region Non-Residential	352	1,149,000	404,881,800	14,110,600	6,349,800
Non-Capital Region Residential	2,820	83,000	234,552,300	4,004,200	1,801,900
Non Capital Region Non-Residential	705	144,000	101,220,500	3,527,600	1,587,400
Total	**5,287**		**1,678,864,000**	**37,659,200**	**16,946,600**

Estimated Development and Property Tax 2023 - 1% of TLE Developed

Year 2023	Number of Acres	Estimated Value per acre	Estimated Total Assessed Value	Estimated Property Taxes	Estimated Service Costs
Capital Region Residential	2,908	749,619	2,179,827,122	37,213,246	16,745,961
Capital Region Non-Residential	727	1,293,985	940,698,824	32,784,342	14,752,954
Non-Capital Region Residential	5,816	93,702	544,956,781	9,303,311	4,186,490
Non Capital Region Non-Residential	1,454	161,748	235,174,706	8,196,085	3,688,238
Total	**10,905**		**3,900,657,433**	**87,496,984**	**39,373,643**

The values in these should be considered as preliminary draft for a number of reasons including:

1. The estimates are not based on specific TLE land use or economic plans
2. The estimates assume that TLE First Nations will implement property tax and local revenue systems and provide competitive economic infrastructure to investors
3. The estimates assume that TLE First Nations will implement the legal and administrative framework necessary to facilitate investment on their lands
4. The estimates assume that at least 1% of the TLE lands will be used to attract investment
5. The estimates assume relatively stable land values and local revenue systems in Manitoba for the next 15 years.