

The Economic and Fiscal Impacts of Market Reforms and Land Titling for First Nations

Executive Summary

The residential real estate market on First Nation lands is not effective. Based on statistical analysis of residential assessment data from a sample of 68 First Nations collecting property taxes in BC, this premise is not rejected. The reasons for these lower values are well established in economic theory and law - uncertainty related to tenure and governance lowers real estate values.

This need not be the case. The Kamloops Indian Band and the Westbank First Nation have both created market friendly tenure and governance structures for specific residential developments on their lands. In both cases, the market value of real estate on First Nation lands approaches the market value of comparable real estate with fee simple title in adjacent jurisdictions.

The success of Westbank and Kamloops can be transferred to other First Nations by introducing two broad market reforms: the institutional and legal framework for markets and a land titling system. This combination of market reforms will yield significant net benefits for participating First Nations. This paper estimates the fiscal and economic costs and benefits of making these real estate market reforms on a sample of 68 property tax collecting First Nations in BC.

Benefit estimates are based on conservative techniques, a 10% growth rate as the benchmark, best available data and a 15 year adjustment period. Cost estimates were based on existing programs and known cost forecasts for First Nation institutions.

The cost of implementing the reforms necessary to improve real estate markets for interested First Nations is estimated at \$688 million over the next 15 years. These costs are estimated for possible national application.



The benefits, over the same 15 year period from creating a competitive investment climate for the sample of 68 First Nations in BC, are estimated at \$5.7 billion. These benefits result from increased real estate values, higher tax revenues and lower fiscal costs of poverty. Moreover, it would lead to over 27,000 person years of employment and over 2,700 open market home ownership opportunities. These costs and benefits are summarized in the table below.

	Benefits (over 15 years)	Costs (over 15 years)
Estimates	<ul style="list-style-type: none"> • Increase in real estate value - \$3.8 billion • New Employment – 27,000 FTEs, \$410 million in increased productivity • Increase in Housing Stock – 2750 residential units • Increase in property tax revenues - \$150 million • Increase in infrastructure - \$156 million • Increase in sales tax revenues - \$92 million • Reduced cost of poverty - \$1.1 billion 	<ul style="list-style-type: none"> • Market Framework transfer – \$68 million • Infrastructure Program – \$280 million • Land Title System – \$320 million
Total	\$5.7 billion in benefits over next 15 years	\$688 million over the next 15 years

The benefits during the next 15 years are approximately nine times the costs. Although change is justified, implementing market reforms on First Nation lands can be challenging because (a) the federal mandate for change is often unclear and unfocused, (b) First Nation governments are leery of changes to current entitlements, and (c) First Nation governments lack the institutional and administrative capacity to implement changes. By implementing a legislative and institutional system that allows interested First Nation to make the necessary changes when they choose, many of these challenges will be overcome.

