

## **Presentation on the proposed City of Winnipeg by-law to regulate the condition and maintenance of all vacant buildings – April 7, 2004**

First, it is our intention in the limited time we have to raise some questions, state a number of points and offer up an alternative position to the City of Winnipeg Charter provision that entitles you to confiscate a property, and as you state, make Winnipeg the only jurisdiction in North America where a property can be taken without compensation.

Let me make a few things clear at the outset. The Winnipeg Real Estate Board, a 1300 member organization that has just embarked on its second 100 years of existence in this city, has always been cognizant of the fact that what is good for the city is good for real estate and vice versa. In our direct support of programs such as Take Pride Winnipeg, the Citizens Hall of Fame, the Winnipeg Real Estate News, on working on a new deal for Winnipeg, or 50 home renovations in the West End through the Housing Opportunity Partnership (HOP), which has resulted in the average residential-detached selling price nearly doubling in less than five years, the Winnipeg Real Estate Board is committed to renewing our city's buildings.

The bottom line here is Winnipeg's quality of life is important to all of our REALTOR members and we are always willing to step up to the plate to do what we think will be in the best interests of all Winnipeggers, not just our own industry.

The healthier, more vibrant and presentable our city is, the better the real estate market is. They do tend to go hand in hand. In many respects, you have at your disposal 1300 ambassadors ready, willing, and available to extol the attributes of our city on moment's notice and we think we are doing a pretty good job by virtue of the strong real estate market we have been experiencing over the past few years.

With specific respect to the proposed vacant building by-law, first let us state Garry Solkoski has been terrific in his willingness to meet with our members and explain everything.

Our regret here is stakeholders like WREB were not more involved in the development of this by-law in its formative stages. Given the importance and complexity of it, to only have four attendees appear over two public consultation meetings is very disappointing in our view and would not provide the city with a complete picture of some of the potential drawbacks or pitfalls that may arise if you proceed on the basis that you have proposed.

While this proposed by-law may not be part of the new deal for Winnipeg, it is a 'big deal' to many property owners once they understand the implications of what you are proposing.

A new deal for Winnipeg is relevant to this proposed by-law since it speaks directly to lessening the property and business tax burden in the city so investment in commercial real estate will be more attractive and make economic sense. We contend that a new deal on how we fund education is just as important since property owners in this city are now being burdened with paying more for provincial education than they do for municipal services. It is obvious we need to create a better environment and financial picture for investment in this city so these vacant buildings can be redeveloped.

The background report clearly recognizes that prevailing market conditions, such as a building's functional obsolescence, are the root cause of why we have too many vacant buildings. CentreVenture and community housing groups have been important instruments of change in facilitating and even creating new possibilities where disinvestment has and still is occurring. Here's what we see are the key steps the City needs to take regarding this proposed by-law.

### **Enforcement**

There is no question in our mind that the lack of proper and ongoing enforcement capability by city staff has contributed to the situation we are in today.

We wholeheartedly support your proposal to significantly revamp your enforcement capability by utilizing the Fire Paramedic Service.

It will also be important as part of your planned public awareness campaign to engage the community more fully in alerting city enforcement officials to derelict properties.

Neighbourhood watch programs may be helpful in this regard. Being more proactive in enforcement will prevent more protracted and expensive processes including potential court actions down the road.

### **Stakeholder Consultation**

Hand in hand with a renewed and improved enforcement effort will be the need to clearly outline and explain the maintenance and security standards for vacant buildings and the schedule of fees for boarded-up permits and annual inspections to all property owners affected.

A specific web site or section of the City of Winnipeg web site should be developed that covers all aspects of the by-law and even offers possible solutions or existing programs that may be available for these property owners to look into.

For example, are there building equivalencies that may be allowed for an historical building?

When and who decides when a building is designated derelict?

How do you intend to be consistent in your application of requirements for exterior appearance since even occupied buildings can leave something to be desired?

### **Financial Impact**

We believe you need to apply more rigour and in depth analysis on the City's costs with respect to this proposed by-law.

Is it realistic to expect that the City will not incur some holding costs for real estate and buildings you may end up getting through strong enforcement of this by-law?

What about legal costs that will be incurred in carrying out this by-law?

The more participation and inclusion of the property owners and our members as early as possible in the process of trying to do something productive with these vacant buildings is recommended.

REALTORS have a very extensive network locally and have access to worldwide buyers through mls.ca and icx.ca.

We believe involvement with key groups like ours, including financial institutions, will save the city money in the long run.

### **Zoning and Development Process**

In a position paper we did in 1999 in response to issues like abandoned buildings downtown, we recommended more flexibility in downtown zoning and building equivalencies, financial incentives for development, ways to expedite the process and make it more transparent and accessible, and setting up partnerships with the private sector to help the city bring in private investment and new development.

By and large, the City is well on its way with the changes you are now implementing.

You still need to update By-law 6400 as well so it reflects current market conditions and will become more enabling for developers to develop.

This recommendation is a good example of looking at making changes within other aspects of your operation to deal with the issue of vacant buildings.

The proposed by-law should never be construed by anyone as the ultimate solution to this serious problem. It is just one tool at your disposal.

### **Conflict of Interest Guidelines and Accountability**

At a meeting we held recently with Garry Solkoski and our membership, our members by and large were very supportive of taking tougher action to clean up these derelict buildings which can and often do have a negative affect on the area.

However, they raised a number of valid points about conflict of interest guidelines and accountability.

Would city employees not have an inside track on acquiring a vacant building?

Where does CentreVenture fit in here?

They wanted assurance that any building the city acquired must be disposed of in a very public and transparent manner where all potential prospective buyers have a chance to bid on it.

There was also talk of the need for having a number of checks and balances within the system so that one derelict building is not unfairly targeted in comparison to another. There should be no perception of the city “cherry picking” the most desirable buildings.

### **Balance, Fairness and Use of Charter Provision to Confiscate Property**

This is a final step that needs to be addressed and likely is the most important one next to a tougher enforcement regime which does compel owners to clean up their act so to speak. It is also the area we have most difficulty with and strongly feel revisions need to be made to balance the interests of all concerned parties fairly.

First, we will quote a statement made from the report on this proposed by-law. It states, “Regulating the condition and maintenance of vacant industrial and commercial buildings is an issue of substantial complexity, involving the interests of private owners, the communities in which vacancies occur, and the city at large. The proposals in this report attempt to find a balance between these sometimes-conflicting interests.” You also ask the question in this report is the City prepared to take title to derelict properties without compensation to the owner where the building is not in compliance with the standards set out in the by-law and where there is a viable alternative plan for the redevelopment of the building?

In specifically referring to commercial buildings, we are trying to understand how this report has attempted to balance private property concerns with those of the city and community. And the following statements are made on the basis as you have stated, that is, that the issue of regulating and maintaining vacant industrial and commercial buildings is one of 'substantial complexity' and is one where market conditions often dictate the circumstances that they are now in.

1. Whole impetus of confiscatory power came from a steering committee on housing and was intended to provide properties obtained through this heavy handed power to go to

community housing groups. It was acknowledged they can obtain them much quicker this way than through a long drawn out tax sale process. Where is the analysis and review of its commercial building application? Who sat on the housing committee that clearly understood how different commercial buildings are in their make up and own unique challenges? What kind of adjustments do they intend to make in the existing maintenance standards so they are suitable for commercial and industrial buildings?

2. Where is the in-depth analysis in this report that shows many of these commercial property owners have been obstinate, disinterested and unwilling to comply with the vacant building by-law? The report, in recognizing market conditions are a big part of the reason for our current situation fail to talk about what factors are behind it, and how they may be addressed in working with key stakeholders in the community. The consultations were extremely limited and discussions of using the confiscatory power were never vetted with the parties most affected.
3. It can hardly be said there was a serious review of other jurisdictions when one short paragraph is dedicated to the experience of other Canadian cities. There is not even a question posed as to why no other jurisdiction in North America has ruled out trying to invoke such a punitive regulatory taking by way of not offering any compensation when the City takes title to a property. Was there not any concern raised by officials in these other cities when asked whether they would use this new power? Is it possible they would be concerned about the investment signal it would convey? The report did not examine in any detail why other cities have not tried to regulate appearance of a building. Is it possible other cities may have said it would be highly subjective and very difficult to enforce? How does the City intend to define appearance and where does discretion start and stop?
4. Who are waiting in the wings to take over the commercial buildings if the private interests have been unsuccessful? As one of the two attendees commented at one of the two consultations held on this proposed by-law, "What makes the City think it will be more successful in attracting viable tenants or new owners for the building when the market cannot?" If in fact the City has something in mind for a specific property and it may well require public dollars to make the redevelopment proposal feasible, then it is clearly being done for the public good and fair compensation should be offered to the property owner as is done in any other expropriation.
5. While citing U.S. cities where they have brought in some tough fines to ensure safety standards are met, you also note they have offered some significant tax reduction and redevelopment incentives to encourage them to turn things around. This proposed by-law is absent on what can be often referred to as the 'carrot approach' but certainly is prominent in its use of the "biggest stick' possible - the charter provision to confiscate a property.

6. There is no mention how the City intends to ensure fairness in enforcing its own derelict buildings' maintenance requirements. Should they not have an independent inspector to review their own buildings to avoid a potential conflict of interest?
7. There is a clearly a bias in this report for accelerating the acquisition process of a derelict building. By using the confiscation power, the City states it can acquire a building within 12 to 18 months as opposed to a tax sale where it may take up to five years. This is troubling to us on a few grounds. First, there is already a built-in assumption that a number of property owners are unable to meet the conditions of the by-law and will have to give up their property. Hence, how would bringing in this new power be a strong incentive for them to comply? All they can do is throw up their hands and walk away.

If this is known already, why would there not be alternatives resolution mechanisms in place so that these property owners would be able to negotiate a fair disposition of their property with the City of Winnipeg. Could tax receipts not be offered for a property, liens put on the title so the owner could not sell it without the City being compensated for its costs, etc.?

Second, for the City not to offer any other solutions other than a continued escalation in fees and their desire to use the Charter power, we contend the City is showing interest in going after properties without providing compensation.

8. Rationale for using the new charter provision is questionable. Two of the justifications are either we lose it if we do not use it or it will cause interjurisdictional difficulties. Surely, these are very weak in light of the seriousness of the power they covet and intend to use.

Just because you have a new weapon, does that give you the right to use it?

Have they studied the impact of this legislation and its potential pitfalls and drawbacks?

Have they considered that the by-law states right in its title that its intent is to regulate but that the use of the charter provision really goes beyond regulation to remove property rights altogether?

How is the intent to regulate match up with a complete removal of any reasonable options when an owner does not have the financial wherewithal to meet the by-laws' requirements?

In using this confiscatory power, and ensuring the process remains attached to the title of the property, not the owner; what incentive is there for someone to purchase the property and/or a financial institution to finance it? If by chance they cannot make a go of it, they stand to lose everything since there is no compensation.

There has not been any description provided on what would be considered by the City a satisfactory redevelopment plan that would warrant using this new power.

There is also no documentation backing up a key rationale for using this new power to provide properties to community housing groups. Can it be proven that these property owners of vacant buildings were not prepared to sell their properties at a reasonable price?

Everyone knows community groups are attempting to get the properties for as little cost as possible since they will be incurring significant input costs in refurbishing them.

Finally, with respect to using this new charter provision to confiscate property, it appears to us that the City has as much conflicting interest to deal with as anyone else. The report indicates the City is keen on obtaining property at a much quicker rate and will be able to do so without compensating the owner. The failure to deal with these properties appropriately given the punitive tactic employed may subject the City to a number of court challenges. Is this a productive use of time?

More importantly, should the scarce civic dollars allocated to supporting this by-law not be better directed towards upfront enforcement?

### **Alternative Solution to Using Charter Power**

In light of the above concerns raised with respect to using the charter provision to confiscate property and also ensure there is a balance among the various interests involved, the Board makes the following recommendation:

That if the City of Winnipeg is wishing to acquire properties for the public good then as in other examples of expropriation for public right-of-ways and the like, it should be prepared and willing to provide fair compensation.

It can take the form of a mediation process when it becomes apparent prior to or at the conviction stage that the property owner is unable or unwilling to meet the requirements of the by-law. If a reasonable settlement can not be made for the property and that includes subtracting from the determined value any costs the City would have to absorb during this process and after to ensure the building is secured and maintained, then we propose an appraiser be retained by both parties and as long as the final appraised values of the property are within 10 per cent, an average of the two will be the final value used for compensation. If the appraisal values have greater divergence than 10 per cent, then a third appraisal should be carried out and a final determination made.

This kind of process is already used by the Winnipeg Land Titles Office on mortgage foreclosures. In this example, the property owner does receive any of the proceeds left over after selling costs are deducted.