

Evaluation of the Bellan Report on Winnipeg Land Prices

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The Institute of Urban Studies





THE UNIVERSITY OF
WINNIPEG

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Having presented a brief to the Winnipeg Land Prices Inquiry Commission and having had an opportunity to examine the final report of the commission, the Institute of Urban Studies, University of Winnipeg would like to make a number of comments about this report.

Overall the report is well written and easy to read, especially considering its difficult subject matter. The report gives a good historical background and description of the present nature of the development industry in Winnipeg. It reveals land prices and the costs of servicing and developing land, both past and present, and examines the factors which have combined to create a land and house price explosion in the past five or so years. As such, the report could serve as a textbook on suburban development in Winnipeg and is also a valuable source of information to the general public. It is surprising that the news media has hardly covered this aspect of the report, for it could perform a valuable service by informing the public of the commission's findings on land prices, land development costs and the nature of the Winnipeg development industry. The specifics of this information are not readily accessible to the public, so the report has performed an important function in collecting and making this information available to the public.

There are some shortcomings in the descriptive section of the report, however. The Commission was entrusted with the task of investigating the nature of the land market in the Additional Zone as well as on the immediate fringes of the City of Winnipeg. Unfortunately, there has been little mention of the Additional Zone in the final report. This is a great pity since there is a considerable amount of development activity occurring in the Additional Zone and beyond with resulting pressures on

land prices. Recent research by the Institute of Urban Studies, for example, has revealed that residential building lot prices have increased fifteen times in the past decade in St. Andrews municipality just beyond the Additional Zone. Building lots are as expensive there as they are in Winnipeg (although they are considerably larger in size) and today an average lot in a subdivision in St. Andrews sells for over \$20,000. Obviously the commission would have been well advised to have conducted more extensive studies of the land market in the Additional Zone.

Some of the recommendations concerning the role of public land banks and development agencies contained in the report echo suggestions made by I.U.S. in our brief to the commission. However, the commission's report appears to have overlooked the unfortunate location of much of M.H.R.C.'s landbank, which we stressed in our brief. Some 2800 acres, or two-thirds of M.H.R.C.'s holdings lie in areas designated for no development yet the report appears to ignore this fact. A major recommendation of the report is that M.H.R.C. limit further expansion of its holdings and concentrate on developing its present land so that it can produce about 20% of the total number of lots sold each year, but, due to the poor location of much of the MHRC property this will not be possible for several years to come. If most of the MHRC holdings are developed as the report suggests that they should, sprawl will occur, which contradicts the report's recommendations that emphasis should be placed on compact development because of the greater economics to be achieved thereby.

The principal recommendation contained in the report is that a commissioner of Land Development be appointed to oversee the supply of building lots and to monitor the operations of the development industry.

While this may perhaps facilitate the supply of lots, it will also add another stage to the already long development approval process.

Moreover, many of the responsibilities of the Land Development Commissioner's office are ones which are held by other city departments, notably the Environmental Planning Department. The creation of a new overlapping department is likely to create internal conflicts within the city administration and perhaps further confuse rather than clarify the development process. Some of the functions proposed for the new office, particularly the estimation of the capital requirements of future suburban development, will be very time consuming and require a large staff, thus adding to the costs of the city's administration.

A major shortcoming of the report is that it lacks any recommendations concerning the control of lot prices. This may be because it is felt that the recent heavy demand for housing will pass shortly, thus stabilizing the land market situation. The recommendations of the report imply that the control of land prices should be left to free market forces yet the report clearly shows that it is these same forces that have been largely responsible for the explosion in land prices that has occurred in the past five years. There is no suggestion as to how land prices may be reduced but this may be due to a feeling that a reduction in land prices is not possible, nor desirable.

There has been criticism from other quarters already that the proposed connections charge and capital installations charges will not in fact reduce the developers'/builders' windfall profits but will instead be passed on to the consumer, i.e. the house buyer. The report has acknowledged this possibility, but suggests that developers/builders cannot charge prices above what the market will bear, so that the increased costs to the developer in the form of these installation charges will not

be passed on to the housebuyer. If prices are now at a maximum affordable level this should be the case, but if there is still some elasticity left in the market so that higher land prices can be borne, then it is highly likely that some, or all of the cost of these installation charges will in fact be passed on to the house buyer unless adequate controls can be established.

The report repeatedly suggested that a large part of the private developers' windfall profits are being recovered by the federal and provincial governments in the form of taxes on capital gains and windfall profits. With this in mind, it is odd that there are no suggestions that some of this tax bonanza be shared with the city which has to pay the costs arising from suburban development. Clearly this is an area for new tax sharing arrangements with the city.

In general, the report of the Winnipeg Land Prices Inquiry Commission provides a good description of the nature of local suburban development and of the factors influencing the demand for housing, but its recommendations are rather weak. None of the proposals seem designed to control the price of land while some may actually lead to further bureaucracy and an even more prolonged development process if they are implemented. The suggestion that the city attempt to recoup the capital costs of new development from the windfall profits of affected landowners is good in concept but the method recommended for doing so may not be very effective in reducing windfall profits and may add to the house buyer's costs.