

THE UNIVERSITY OF MANITOBA

THE CRITERIA FOR THE DEVELOPMENT  
OF A LAND BANKING PROGRAM

by

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the University of Manitoba in partial fulfillment of the requirements  
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## FOREWORD

The underlying assumption of this thesis is that governmental land banking can act as a means of recapturing for the public, some part of the socially created increments of rising land values which are associated with urban growth. In addition, land banking can help in controlling the direction and location of this growth.

This thesis is divided into two parts. The first part, the Criteria for the Development of a Land Banking Program, deals with the theoretical concepts of land banking as well as a methodological approach for the development of such a policy.

The second part, The Manitoba Land Banking Experience, evaluates the experience of the Manitoba Government's land banking attempt. This part describes the strategies and problems encountered in establishing this program. In addition to the Manitoba experience, the land banking programs of other areas are viewed. Finally, a current evaluation of the effectiveness of the Manitoba Housing and Renewal Corporation's present land bank is undertaken.

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PART ONE

THE CRITERIA FOR THE DEVELOPMENT  
OF A  
LAND BANKING PROGRAM

PART I

CHAPTER I

INTRODUCTION

A. Explanation of Land Banking

Land banking is becoming increasingly regarded as an effective and feasible means of acquiring and producing residential lands for future development at a reduced, long term cost. This requires a direct government involvement into the local land market through property ownership and holdings. Because the turnover of land holdings is often viewed as a source of revenue for large scale speculators, real estate managers, and holding companies, the urban land market is more oligopolistic in nature than open and competitive. That is, because of the limited number of participants in the market, there is little reason for private land holding companies to lower prices in order to become more competitive. The result of this is, to a large extent, inflated costs created by an artificial scarcity of developable lands as profiteers and speculators hold out to maximize profits. It is the public that must finally pay for these high

prices which are reflected in the cost of residential lots. Since government could enter into the market with the public's interest in mind, it could operate without taking the large profits that private enterprise does. In this way, assuming all other costs to be equal, governmentally acquired lands could be resold at straight cost and result in a substantial saving for the public in comparison to the entrepreneurial price.

Specifically, land banking is the large scale assembly of property at some point in advance of development, especially near a growing urban centre.<sup>1</sup> The banked land may then in effect be withdrawn at any time, as needed, and be developed to accommodate urban growth. Of course, private enterprise may bank lands just as government may and it has been doing so in many cities for years. However, any savings incurred by private enterprise have not been passed along to the public in the form of lower costs but have been retained as profits. Therefore, this study is primarily concerned with the governmental, (thus public ownership), form of land banking. At the time of the land bank purchases, often 3-10 years prior to local growth, properties may be obtained at a relatively low price. Land purchased at this time may be valued from one-half to one tenth as much as land immediately ready for development. As this development later progresses nearer and adjacent land uses become

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1. Bureau of Municipal Research, Civic Affairs, Land Banking: An Investment in the Future, Bureau of Municipal Research, Toronto, 1973, P. 5.

more intensive, land values sharply increase. When the residential demand for this property becomes great enough, it may then be subdivided and developed. The banked land could then be sold by government at straight cost plus a small profit if desired.

## 1. Goals of Land Banking

The three major goals of land banking are:

- a. To supply the amount of land required to meet the local demand for urban development;
- b. To control the location of urban growth and facilitate planning;
- c. To control rapidly rising land prices which result from land speculation. This would also promote a more equitable distribution of profits from land.

Therefore, it is the objective of land banking to offer some means of alleviating the high costs of urban land and the somewhat uncontrolled patterns of growth which are common problems in many cities.

## 2. Arguments of Land Banking, Pro and Con

Land banking has been subject to many controversies in the past years and it continues to be so today. The following points, pros and cons on the subject, have been made in the continuing arguments:

CON Government would be overstepping its bounds and has no valid right to interfere with the private sectors' use of properties.

- PRO Government does have the responsibility to intervene into the area of property ownership on behalf of the general public. Since the land market is not a free and open one, prices become inflated and land becomes less obtainable for urban uses.
- CON The Land market is not closed and the private sector can only sell properties at fair market values.
- PRO "Land development is now dominated by major corporations, independent studies indicate that in each of the major metropolitan areas of the country (except Montreal) not more than six firms control the land required for housing over the next decade."<sup>1</sup> Such conditions hardly make for a fair and open urban land market.
- CON Land banking is unnecessary because if government really desired to lower land prices, it need only to make more serviced lots available on the market by subsidizing the servicing costs to existing large land holding and development companies.
- PRO "Simply increasing the amount of serviced land in itself will not necessarily lower land prices because servicing itself both increases the value of the land and immediately increases the pressure to develop the area. This will only act to reinforce the land cost spiral."<sup>2</sup>

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1. The Canadian Council on Social Development, Housing Comm., The N.H.A. Amendments, 1972, C.C.S.D., Ottawa, June, 1972.

2. Bureau of Municipal Research, Op. Cit. P. 40.

- CON Delays in planning approval process and servicing of new areas has created a shortage of building sites, resulting in increasing additional pressures on the price of land for immediate development. Land banking will still be faced with this.<sup>1</sup>
- PRO Producing more serviced lots than are required for development at any given time inevitably leads to scattering of lots which adds greatly to the operation cost of a community. To avoid this most Canadian municipalities have limited subdivision approvals and the extension of services. The result of this oligopolistic high land price, is that speculators and large developers take advantage of this unearned increment as profit.<sup>2</sup> Land banking can deal with this problem by producing only the amount of lots needed for a given year as determined by demand.
- CON Public land ownership would act to further reduce the revenue received from tax rolls because of property tax exclusions.
- PRO Although the lands are publicly owned, other revenues could be derived from the land while it is in the banked stage, such as rents from farming, which would likely more than compensate for the loss of most regular property taxes.
- CON Would not governmental intervention into the land market create a major monopolistic force in itself?

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1. Hamilton, S.W.; Public Land Banking-Real or Illusionary Benefits? U. of British Columbia, Vancouver, 1974.
  2. Blumenfeld, H.; Land Control and Land Prices, Community Planning Ass. of Can., Ottawa, 1973, P. 6.

PRO No, because through reduced land prices, government land banking would only serve to place restraints upon the excessive profits of the private sector. Government would then in effect be only acting to add competition into the market.

CON The individual or corporate right to own and manage properties for personal gain has always been an integral part of the Canadian Tradition.

PRO Serious questions are presently arising as to whether such rights can be stretched to encompass situations where land owners reap gigantic financial benefits not from improving or working on land, but merely by allowing it to lie fallow in underuse while the growing community around it makes such land an ever increasingly valuable asset.

The arguments go on and on, with each side claiming their rights and defending their points of view. "However, many of the problems which are accompanied with urbanization do, directly or indirectly, stem from the present roles generally adopted by the private and public sectors in the land development process."<sup>1</sup>

The basic claims made in favour of land banking such as improved planning, reduced costs and social equity should merit some investigation and trial. This study will attempt to document the

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1. Bureau of Municipal Research, Op. Cit., P. 5.

shortcomings of the present urban land development process as well as discuss the basis of the claims made for public land banking.

### 3. Will Land Banking Work in Practice?

The concept of land banking, as it is known today, is relatively recent in origin. The first federal funding legislation to specifically enable land banking has only been enacted since March, 1972.<sup>1</sup> Consequently, the few existing land banking experiences can not provide a complete understanding of exactly how well the theories of land banking will stand up in practice. However, from evaluations of a number of Canadian, American and European land banking experiences, the answer appears to be positive. For example, land banking in Stockholm has been conducted for over fifty years and is felt to be the only really effective means of providing lands for urban growth. In Saskatoon and Edmonton, land banking is helping to lower the costs of serviced lots and reduce speculation. For example, in Saskatoon land prices are only about 70% of the Canadian average. Land bank produced lots in Edmonton undersell privately developed lots by about 15%.<sup>2</sup> Even if all theoretical goals of land banking are not realized in practice, land banking is still very beneficial for promoting a more efficient urban growth.

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1. N.H.A. Legislation Statutes of Canada, Sec. 40 + 42, Vol. I, N-10, 1974.

2. McFadyen, S.; A Research Design for The Mill Woods Impact Study, Al. Housing Corp., Edmonton, 1973, P. 101.

"Land banking is not professed to be a cure-all for urban ills. It is, however, a highly versatile tool that can be used to accomplish a number of objectives at one time. The success of any land banking scheme depends on how policy-makers and urban planners deal with its implementation."<sup>1</sup>

The final success or failure of such a program largely depends on the thoroughness with which the criteria for land banking are developed and applied. A basic understanding of local development, knowledge of the urban land market and an analysis of needs should underlie any land banking attempt. Land acquisitions should only be begun after each of these areas have been examined. From this basis, the agency instituting the program may be reasonably sure that land banking will work well in practice. A stable methodology and policy are also very essential in order for a program to work in practice. Only after these areas have been comprehensively formulated should the acquisition of land be undertaken.

One final difficulty that may arise which could significantly reduce the successfulness of a land banking attempt results from the lack of good planning. Land banking should be forward looking to anticipate potential problem areas.

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1. Bureau of Municipal Research, Op. Cit. P. 42.

## B. Land Speculation

### 1. The Excessive Profit Motive

Inflated land values due to speculation have become a main cause, along with high mortgage and interest rates, contributing to the rising costs associated with urban development.<sup>1</sup> It is a common practice for individuals or professional property investors to speculate and manipulate the local land market to gain excessive profits over relatively short periods of time. This is similar to playing the stock market except the stock market has regulations to prohibit manipulation and monopolies wherever possible. The land market, however, is virtually unrestricted and market manipulation seems to be considered, "perfectly fair play".

It actually does not require great knowledge or insight of a growing urban area to judge which properties will be valuable in the future for development. Professional property investors need only to observe the growth trends and purchase parcels in the path of the advancing urban fringe. They then need only to wait, paying only marginal taxes on the non-urbanized land. As the urban area expands, local land values rise due to land use intensification and other socially-created increments. "Land values assume a sharp upward trend due to the widespread practice of anticipating in advance

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1. Hellyer, P.; The Federal Task Force Report on Housing and Urban Development, Information Canada, Ottawa, 1969, P.37.

further increases in land values and capitalizing on those anticipated rises based on the initial purchase prices. The result is to force land values out of line with land productivity."<sup>1</sup> When the areas adjacent to the speculative land holders' property becomes urbanized and his land is eventually needed bad enough for development that the market is willing to pay an inflated price, the land is sold. The speculator may then realize a net profit of 50% to 300% or more on his short term investment. The developer is left to service and construct buildings on the parcel and has no choice but to pass this inflated price along to the public. There is little justification for such profits to be taken from unimproved lands and leaving the public to pay the price. The proper definition of a speculator is very difficult to determine. However, in a broad sense it may be seen to include "anyone who purchases raw land inexpensively with the intention of later selling it dearly without making any improvements to it."<sup>2</sup>

## 2. Inefficient Land Assembly

The method of land assembly used by owners and developers is often ineffective. Because very few corporations have the capital needed to acquire large parcels of land at a time for development,

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1. Renne, R.; Land Economics, Principles, Problems & Policies, Harper Pub. Co., New York, P. 441, 1947.
  2. Martin, L.R.; Problems and Policies Associated With High Costs on the Urban Fringe, Can. Council on Ur. & Reg., Research, Toronto, 1974, P. 23.

the result is a small scale urban development and an inconsistent urban pattern. The outcome when viewed on a city wide basis over time is an urban environment which is not conducive to the planning process. Since many small developments are created in an urban area without any real co-ordination, planning on a large scale is hindered. The limited scale planning which usually results, may often lead to ineffective use of services.

The eventual outcome of this piecemeal land assembly may often contribute to urban sprawl and increased costs of development.

It is more effective when large tracts of land are assembled and then developed as needed, with the general plan in mind. Government land banking could help to eliminate this problem by proceeding with the development of large blocks at a time which are co-ordinated with the growth of the city on the whole.

### 3. Tax Incentives

Another factor which helps facilitate land speculation, or at least offers little disincentive to it, is the present system of property taxation. Today property taxes are assessed more on the basis of the existing usage of the site and the building on it than on the principle of its potential use in relation to other properties in the locality. As a result, speculators are permitted to let parcels of land remain vacant in the midst of a growing urban area and pay very low taxes in relation to those properties on which improvements have been made. For example, a speculator's untouched piece

of land may be marginally taxed at about \$50 to \$75 annually while an adjacent resident who has improved his property may pay several hundred dollars in taxes. Even though the raw land does not actually consume any services, through its underuse it is, in effect, blocking the tax payments that a more intensive user may make of the site if it were available on the market. In addition, the owner of the underused site may unjustly claim a profit on the socially created increment of the adjacent improved lands when he sells his property.

The present tax system actually aids land speculation by allowing a low overhead on underused lands while prices of adjacent property increase, thus causing the value of the speculator's property to also rise through the process of association. The speculator has only to wait out the market. "The withdrawal of the practice of allowing the holding costs of vacant lands to be deducted from tax payments, would help speed the marketing of such properties."<sup>1</sup> "A revision of the present tax system could be a very important instrument for social control of property."<sup>2</sup>

(Additional proposals for tax revisions are made under 2A, Limiting Profits)

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1. Dennis, Fish.; Programs in Search of a Policy, Hakkert, Toronto, 1972, P. 345.

2. Renne, R.; Op. Cit., P. 148-149.

#### 4. Land for Social Benefit vs a Commodity for Profit

Most urban land dealings have traditionally occurred primarily for capital gains. Since land has long been considered a commodity for personal profits, the "take the market for all you can" attitude is still prevalent. The result of this has been high land prices and to some extent, a disjointed urban development pattern. It is becoming increasingly evident that development should be conducted more on the basis of social benefit rather than for the existing money-profit syndrome. Social needs should be considered more important than individual gains.

#### C. Land Acquisition and Development Costs

##### 1. Cost Comparisons

Private enterprise, though usually efficient, may be willing to incur greater than necessary development costs. These in turn are passed along to the public in the final sale price.

Public land banking, can result in lower land costs. The reasons for this are: more effective infrastructure implementation, large scale operations and resale prices based only on the cost of acquisition, servicing and carrying charges - not local market value.

The following chart compares the sample costs incurred in the development of land under the entrepreneurial, private sector and the governmental land banking system. A brief explanation of these categories follows:

- the land represents an acre of raw farmland easily obtained beyond the urban fringe. (Circa July, 1974, Winnipeg)
- taxes are based on an average basic rate for such land \$75/acre/year.
- servicing includes all of the basic services listed.
- miscellaneous represents all other costs not previously shown.
- profits are based on 25% of the total costs for private enterprise and 0% to 10% for government. The developers profit of 25% is in the standard range which commonly varies from 18% to 30%.
- average value per lot is based on the normal single family ratio of 4.0 lots/acre.

LAND DEVELOPMENT COST COMPARISONS<sup>1,2</sup>

<u>ITEM</u>	<u>ENTREPRENEUR</u>	<u>GOVERNMENT</u>
One acre raw land	\$ 2,700	\$ 2,700
Taxes (5 years)	375	0*
Servicing; Total Sewer & Water	9,215	9,215
Streets & Lanes	4,230	4,230
Sidewalks	2,825	2,825
Underground Electrical	1,130	1,130
Survey	350	350
Park Development	250	250
Miscellaneous; all financing & other overhead	5,000	4,750**
Profits	8,760	0-2,830
TOTAL PRICE	<u>\$34,835</u>	<u>\$25,450-28,280</u>
PRICE PER LOT	\$8,785	\$6,365-\$7,070

\* It is assumed that government would not have to pay taxes but no revenue would be lost because tenant farming operations on the raw land would pay the taxes.

\*\* Government can obtain cheaper financing and holding costs. This is because government can obtain long term loans at about 2% below the lending rate normally available to developers.

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1. McFadyen, S.; Op. Cit., P. 140  
 2. Bureau of Municipal Research, Op. Cit., P. 40-46.

## 2. Cost Reductions and Benefits of Land Banking

Through analysis of the final costs associated with land assembly and servicing, price differences are apparent. The calculated sale price of the serviced residential lot which has been developed through a governmental land banking program, is evidently lower than the similar lot produced through private developers. The savings, on the basis of all available data, would likely be 1/6th to 1/4th of the total entrepreneurial prices. This estimated 16% to 25% property cost savings could be passed directly to the eventual home buyer or be shared on an equal basis by both government and home buyer, i.e., about 10% each.

- a. Limiting Profits - A more balanced tax system along with a controlled land market could create lower land prices by minimizing profits. Below are two possible ways of dealing with this problem through taxation:
  - Property taxes should be levied more on the appraisal of potential use as judged with relation to local land use conditions, and
  - "All profits from the sale of land should be treated as taxable income. In addition, consideration toward a special tax should be made in cases where ownership of land is transferred without improvements."<sup>1</sup>

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1. Hellyer; Op. Cit., P. 39.

b. Planned Economics of Scale

Because governmental land banking programs would assemble sizable tracts of land, planning may be possible on a large scale basis. This would mean better control of area growth as government could provide the amount of serviced land needed to meet the demand for new development as it occurs. To provide some level of economics of scale, land parcels should be developed which are large enough to accommodate at least one quarter of an area for local demand for residential land for any given year. In addition, more efficient and economic service installations would result through the use of the area wide design.

The staging of sewer and water installations may be planned to correspond to the development of land parcels. Since the required amount of serviced lots should be foreseen well in advance of actual property subdivision, plant and system capacities may be designed more with future needs in mind. The final result of this is to reduce costs through a more effective and large scale servicing.

D. Initiating a Land Banking Policy

1. Governmental Integration

One of the major problems facing land banking or any program operating under the three tier federal, provincial and local, governmental system, is the establishment of intra-level co-ordination.

This is a necessary quality in order to avoid the bureaucratic inaccessibility, functional overlapping and general red tape which commonly result from poorly defined roles. Any land banking attempt should include a policy which integrates all levels of related government action.

The general structuring of the three governmental levels for land banking may be as follows:

- The federal government should act mainly as the funding agency and establish some general guidelines for land banking.
- The provincial government should act as the administrating authority for land bank acquisition and maintenance, or as a partner with local government in land banking programs.
- The local level of government should be able to manage land banking programs but should have the partnership or advise of the provincial government. (These roles are explained in more detail in Chapter II).

## 2. Gaining Public Support

Obtaining the support of government officials, as well as the support of the local general public, would act as an asset for land banking. (However, often a high level of secrecy is required, See Ch. IV B.) Any new idea which modifies an established tradition, such as land banking does, may often be met with resistance and skepticism. Land banking may be seen strictly as governmental

intervention, by some people. It may be helpful for a program if adequate public information is made available concerning the principles and goals of land banking, to help dispell this fear. The following efforts by local authorities may be of assistance in gaining the support of the public:

- a. publicity and media coverage explaining the costs and social benefits involved;
- b. public meetings with interested groups to provide information and public feedback on the issue. An explanation of the excessive profits of speculators permitted by the present land conversion process and also how land prices are effected should also be publicly illustrated.

### 3. In Search of a Policy

The development of a land banking policy is probably one of the most important aspects involved in the initiation of a land banking program. Because of land bankings versatility, a variety of approaches are available to meet the varying circumstances of each city. The development of a land banking policy, then, should be made in the light of the local urban condition as well as the general project goals. Once a basic conceptualization of the nature of urbanization of an urban centre has been made, the general formation of a policy may be undertaken.

Following an understanding of the nature of local urbanization, some additional areas of concern for policy formulation should be investigated. These are:

- a. the extent of the program
- b. the source of funding
- c. budget limitations
- d. the expertise and size of the administrating staff
- e. the present pattern of private land ownership
- f. the program's time constraints
- g. the intended level of market impact
- h. the type of system or format to be used, and
- i. the overall program objectives.

From these general areas of concern, a more comprehensive and specified land banking policy may be developed.

One additional point must be made for in the search for a land banking policy. Any policy has the difficult responsibility of dealing with the dilemma of being regimented enough to be able to follow the program through to implementation but yet flexible enough as not to unnecessarily restrict or bind the same program. The solution to this is not easy. The development of such a policy requires good foresight and knowledge of land banking.

## CHAPTER II

### Criteria for a Comprehensive Land Banking Program

#### A. Analysis of Land Banking within the Context of Urbanization

The present organization of our society is especially dependent on an urban way of life. In 1971, just over 75% of the 21,516,000 Canadians lived in metropolitan or other urban centres.<sup>1</sup> "It is estimated that unless urbanization is halted or at least controlled, 94.1% of the population will be concentrated in cities by the year 2001 and three quarters of these urbanites will be located in 12 centres."<sup>2</sup> It would appear that such urbanization may be largely based upon a complex of social and economic motivations which have resulted in the rapidly increasing growth of cities. The urban land use patterns of virtually all major cities constructed since the Industrial Revolution of the early Nineteenth Century, have largely originated through the economic competition for sites among the various uses operating through the price system.<sup>3</sup> The competition for urban sites possessing advantageous characteristics well suited for a specific activity has resulted in an ordering of land uses largely on the basis of economic demand. This statement is by no

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1. Central Mortgage and Housing Corporation, Canada Housing Stats. 1973, C.M.H.C., Ottawa, 1974, P. 94.
  2. Spurr, Peter; Urban Land in the 1970's, C.M.H.C., Ottawa.
  3. Goodall, Brian; The Economics of Urban Areas, Pergamon Press, Oxford, 1973, P. 21.

means meant to imply that multiple social and cultural factors have not been instrumental in creating the present urban patterns of large cities. However, the social demand for factors such as accessibility, location, site quality and other characteristics have traditionally been exemplified through the increased competition and thus value of urban sites of various qualities throughout the city. It is becoming more evident presently that virtually all resources are limited in quantity and this is especially true of urban land. Given urbanization's great importance as the residence of large proportions of the population and the extent of its cultural and economic base, the efficient ordering of its land use patterns are vital. Urbanization may be viewed, in the very largest context at least, as a process by which the physical structure of an urban area develops as a response to the complex local socio-economic activities as well as the market interactions of the region.

Urban systems are dynamic in nature. The overall physical structure of a city seldom remains static but is constantly being altered, expanded and rebuilt. The internal social and economic conditions of a city are also regularly changing. For example, populations will fluctuate as a result of net natural increase and out migration, also buildings are constructed, vacated and demolished as the occupants may require newer or different sized premises to reside or work in. The demand and supply of land will also vary proportionally. An equilibrium is never actually established as an urban area constantly changes.

The urban land market is highly responsive to the criteria of these socio-economic expansions or declines. The land market makes continual adjustments to compensate for changes in the overall environment of the city. When demographic and economic growth does occur, urbanization is generated. As a result an outward extension of the built up limits of the city takes place as the demand for new land increases directly proportional to the level of urban activity. With urbanization and the increasing of the physical extent of the area, a city will also experience some internal reorganization of its land use activities.<sup>1</sup>

If urbanization is thought of as the process of growth and development of the physical structure of the city as well as the social and economic changes that accompany it, then this process may occur in three basic forms; redevelopment, infill and outward expansion.

- a. Redevelopment takes place as existing deteriorated building stock is raised and replaced by new, modern and often more intensive and effective structures.
- b. Infill of urban spaces is where parcels of land which had previously been left either vacant or underused, (eg. unused land or sites such as scrapyards or parking lots), are

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1. Chapin, F.S.; Urban Land Use Planning, University of Illinois Press, Chicago, 1970, P. 454.

built upon for more intensive urban uses. Often sizable amounts of land once thought marginal may be used for in-fill purposes. Also, this may have resulted from a leap-frog type of development.

- c. Outward expansion is the third form of urbanization. This is the extension of the outer limits of the City into the urban-rural fringe.<sup>1</sup>

It is this final type of urban growth and development, the lateral extension of the city, that is of prime concern in the study of land banking. The nature of land banking and its eventual effectiveness depend upon the prediction of the rate and direction of the city's outward expansion. To understand this further, an examination of the urban-rural fringe is necessary.

#### The Urban-Rural Fringe

The urban-rural fringe is the area where the outer limits of the built up area of the city merge with the open agricultural (wooded, pasture, swamp, etc.) lands of the rural areas. The expanding city may sometimes though be forced to conform within the limits of geographic barriers such as water or mountains. The urban rural fringe is the zone of major land use transition from rural to urban. The continuity of urbanization of the periphery of the city may vary from area to area due to the rate of urban growth. For example, a city which is rapidly expanding characteristically may have a

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1. Ibid

leap-frog of new development due to instability of land values.<sup>1</sup> Conversely, a slower growing, better established city may expand at a more controlled rate. The actual limits of the urban-rural fringe may extend outward to include that area from which daily commuters are drawn, often thirty miles or more from the Central Business District. The extent of the urban-rural fringe may also be visualized in terms of the time it will take for projected urban expansion to reach some point presently in a rural area. For example, the present day outer extent of the urban-rural fringe may be thought of as stretching to the point at the edge of a city's urbanized area thirty years into the future. In that time a growing city will have undoubtedly expanded its urban limits into what formerly was strictly rural lands. The actual peripheral zone of rural to urban transition may be small in size at any given point in time however. The transition zone is commonly comprised of recently constructed, presently being constructed or soon to be constructed upon parcels of land. The entire process of change may take about four years, depending upon the rate of construction and intensity of land utilization.

The total volume of construction of a city is greatest at this periphery as urbanization advances outward. (See Chart I)

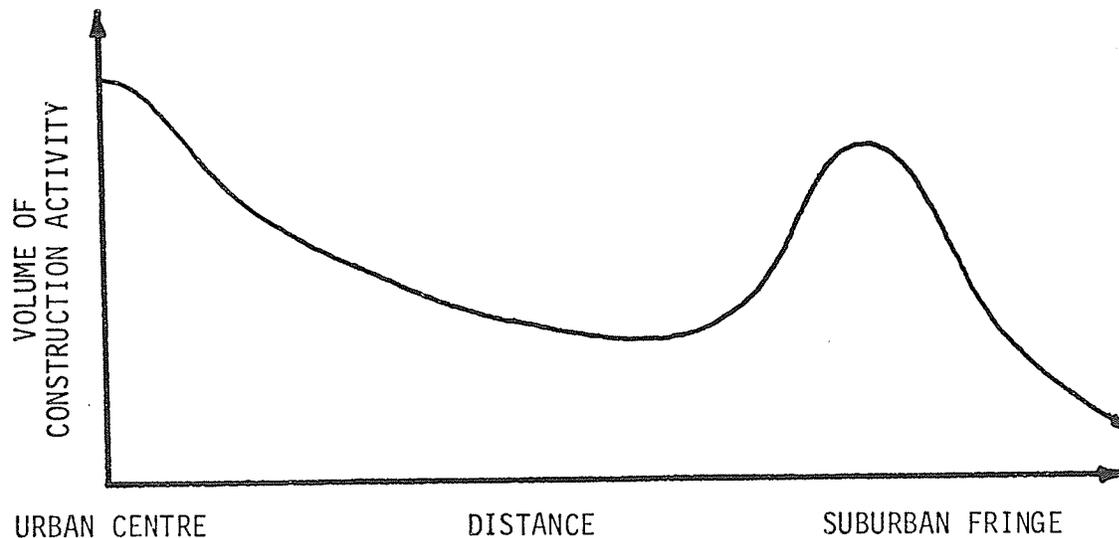
An extremely rapid set of changes occur in areas where urbanization passes through. Land values rise sharply in accordance with

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1. Goodall, B.; Op. Cit., pp. 120-4.

the new more intensive usage.<sup>1</sup> Land may change ownership several times as speculators and developers purchase and sell properties for their own interests and profit. Large properties are broken into smaller parcels and subdivided into their final use for residential or other development. Service installations such as feeder sewers, local water mains, hydro-electric, telephone and natural gas are often made just prior or during the actual construction stage. Building goes on at a rapid pace as other urban infrastructure such as roads and drainage systems are completed. After a period of probably less than two years the rural to urban conversion has been completed and residents begin to move into the new premises. The urbanization process moves farther outward from the city centre.

CHART I  
THE VOLUME OF CONSTRUCTION ACTIVITY<sup>2</sup>



1. Chapin, F.S.; Op. Cit., P. 13, 14.
2. Goodall, B.; Op. Cit., P. 183, (1972)

## Land Values

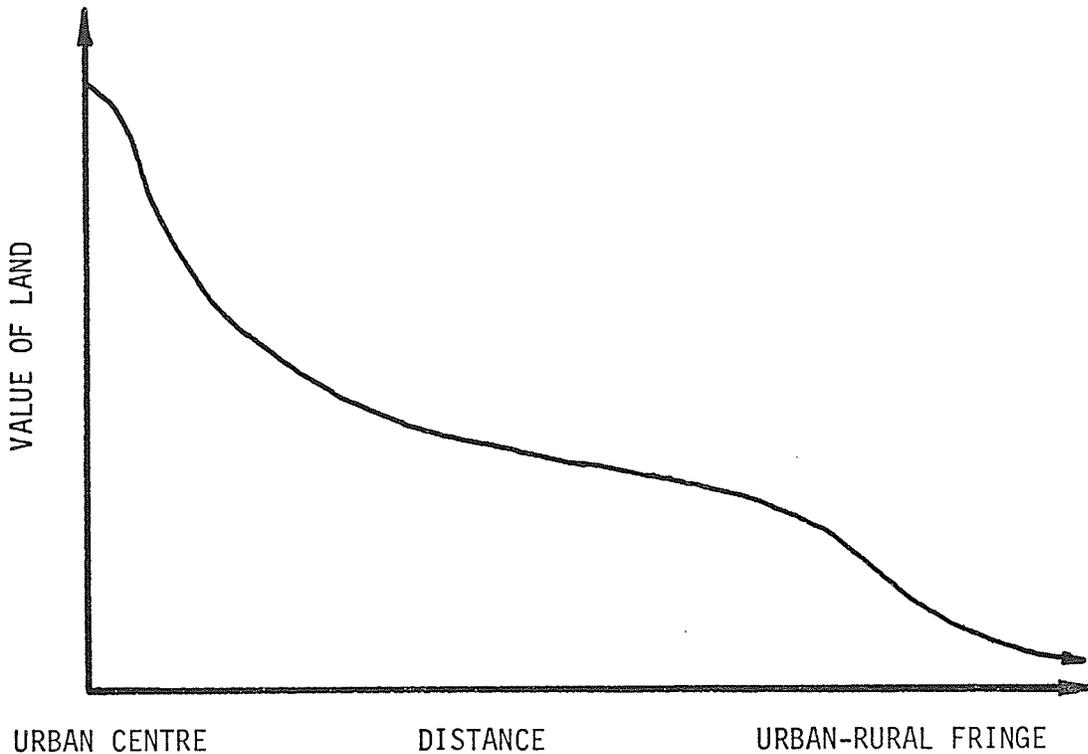
Land values basically represent the amount of money which a property may realize if sold on the open land market. The value of a site is also seen as the capitalized form of its differential rent.<sup>1</sup> This value is derived from a complex of factors based on the functions of:

- a. "the costs of making the land productive,
- b. the net income or return realizeable by development of that land,"<sup>2</sup>
- c. "the net income of the land for the next thirty or forty years."<sup>3</sup>

As urbanization occurs, these factors cause the values of formerly rural lands to sharply escalate. Because of its more intensive use and net income potentials, urban lands may be valued at ten, twenty or even one hundred or more times the levels for rural lands. In some studies "land values have been found to vary inversely with the reciprocal of the distance from the Central Business District."<sup>4</sup> (See Chart II)

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1. Blumenfeld, Hans,; Op. Cit., P. 3.
  2. Chapin, F.S.; Op. Cit., P. 8 & 9.
  3. Hoyt, Homer,; One Hundred Years of Land Values in Chicago, U. of Chicago Press., 1933, P. 449.
  4. Knos, D.S.; Distribution of Land Values for Topeka, Kansas, The U. of Kansas, 1962.

CHART II  
URBAN LAND VALUES



The values of rural lands begin to rise rapidly as the urbanization conversion process approaches. As construction and development get nearer, speculation flourishes and property values continue to rise. It is further suggested that land values are effected by the effects of inflation, artificial scarcity, and even hoarding. Currently property is becoming an increasingly attractive investment. "Artificial scarcity develops when the land supply physically cannot be brought onto the market fast enough to meet demand; as a result prices rise. During a period of rapidly rising prices, land owners may decide to withhold or hoard land in anticipation of

higher future prices."<sup>1</sup> After the property has finally been subdivided and developed, the land values begin to level off and remain fairly stable. This increasing of land values is illustrated in the following table which has been based on a sequential Land Titles search of properties in the North Kildonan, residential area of Winnipeg. To establish a uniformity, the values have been made on a one acre representative parcel of land, exclusive of all structural improvements. This is an averaged price for the area.

- I. In 1969 the one acre property was in agricultural usage, about 3 years from development. It was valued at about \$800.
- II. In 1970 the property was purchased by a property management and holding company for \$1,400.
- III. In 1972 the unimproved property was purchased by a development company for \$2,500.
- IV. In 1973, the property had been serviced and four single family, upper class homes were built upon it as part of a large subdivision. The site is valued, (exclusive of the actual added cost of all physical improvements) at about \$8,000.
- V. In 1974, the residential area has been completely developed and the land values for this urbanized area are about \$10,000/acre, exclusive of improvements.

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1. Martin, L.G.; Problems and Policies Associated with High Land Costs on the Urban Fringe, Can. Council on Ur. + Regional Research, Toronto, 1974.

The five year markup realized on this property is \$9,200, or almost 1200 percent and excludes all costs and improvements. The accrued increments of value for the property have been largely socially created yet captured as profits by the holding companies and developers.

Much of the cause for this high markup of urban land is largely a result of profiteering and land speculation. In addition, "speculators may have some effect in creating discontinuous urbanization where an owner places a higher subjective valuation on his freehold interest than any developer, his land may be bypassed and leapfrog sprawl results."<sup>1</sup> Sprawl may be defined as the tendency toward discontinuous development due to the leapfrogging away from the overpriced parcels of land held by speculators. "These properties are eventually utilized through the process of infill when developers are willing to pay the speculators inflated asking price."<sup>2</sup> So at this point, it is evident that three basic problems are confronting urbanization.

- a. Overly high land values,
- b. The speculators control of the urban land market,
- c. Urban sprawl and discontinuity.

These problems are found commonly in nearly all growing urban

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1. Goodall, B.; Op. Cit., P. 188.

2. Dennis, T. + Fish, S.; Op. Cit., P. 72.

centres. These are the problem areas in which Land Banking may be used to exert a level of control.

#### The Effect of Land Banking on the Urban Land Market

"All urban land is viewed as being in the market competing for the consumer's money, and decisions to buy or sell are prompted by the opportunities for maximizing return from transactions."<sup>1</sup> Thus "the urban land market refers to the aggregate of transactions between owners of real property and those who purchase it."<sup>2</sup> In an open market, values are a function of demand and supply. Where competition is high among sellers, prices are reasonably well regimented. Where competition is limited, prices have escalated as sellers are free to charge higher prices without the fear of being undersold, the result is control of the market through some level of oligopoly. Such is the case of the urban land markets in many of the larger cities. An effectively controlled government land bank can substantially act to return a level of competition to the urban land market. This would occur through government acting as a private land owner who sells property at lower than market value, thus forcing other vendors to lower their prices if they wish to compete on the market. The outcome of land banking would be to give government the economic power to control speculation in the

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1. Chapin, F.S.; Op. Cit., P. 8 + 9.

2. Goodall, B.; Op. Cit., P. 50.

urban land market to a large degree. Land banking would reduce the cost of property and provide a restraint of profiteering. Land banking can especially exert an impact on urban land prices in centres where market prices are increasing rapidly. "Other contentious aspects of the goal of land assembly are in reducing the land prices and by exerting an indirect effect on the private land market. This would occur during the acquisition and holding periods and also at the time of sale."<sup>1</sup>

- "As the public land's development approaches it becomes part of the supply and the potential price of public lots begins to effect the price of private lots."
- "The more significant indirect effect of public assemblies would occur when public land is placed on the market for sale. If the land assembly lots are available significantly below market prices, (and this may be expected), demand for these lots will be received from all segments of the market and all other newly developed lands will be effected price-wise."<sup>2</sup>

#### B. Co-ordinative efforts of all Jurisdictions and Governments

In order to institute and maintain a land bank with the greatest efficiency and the least amount of overlapping of roles

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1. Peter Spurr; Op. Cit., pp. 352-355.  
2. Ibid.

and procedural delays, co-ordination among the three levels of government is necessary. This requires a realization of the function of each level as well as an unrestrained information flow. In addition to a hierarchial co-operation among the three levels of government, co-operative efforts should also be made on a horizontal level, i.e., among agencies or jurisdictions of the same level of government such as cities or municipalities. A governmental structuring on the following basis may be helpful in achieving this:

- The federal level of government may be responsible for the general policy guidelines and for funding assistance. Since these guidelines are made to apply to all types of land banks on a national scale, the context should be general in nature and flexible enough to allow sufficient latitude for provincial and local governments to adequately operate and adapt to the special requirements for their area. This general policy context is incorporated within the C.M.H.C. funding regulations.
- The provincial government may either act at the level directly responsible for the land bank or as the co-ordinator for the local government's land bank. "The province may undertake the project on behalf of the municipality if requested."<sup>1</sup>

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1. C.M.H.C.; New N.H.A. Programs, Op. Cit., Sect. 40.

Often such an agency as the provincial housing authority may have the research staff capacity to undertake land banking on a provincial scale. However, even smaller cities and municipalities should be permitted to maintain a land bank with the provincial and federal governments assistance.

- Local government under present C.M.H.C. legislation has been given the ability to initiate a land banking program. Often it may be advisable for smaller municipalities and towns who are beginning a land bank to enter into partnerships with the provincial government. If local government agencies have an adequate staff to operate a land bank, such as larger city governments, the program may be administered on this level. Regional land banks should be maintained by inter-jurisdictional commissions.

Land banks should be maintained by either local or provincial governments or their agencies possessing the authority and staff needed to conduct the program. Since all three levels of government are usually involved in some capacity with land banks, co-operation among levels of government and jurisdictions should be evident in an effort to streamline procedures and improve efficiencies. It may be advisable to promote a Tri-level Committee to "foster the flow of information among the three levels of government and avoid many of the problems of jurisdictions and roles."<sup>1</sup>

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1. From a phone interview with Diana Butler, Province of Man. Representative to Tri-Level Committee.

### C. Comprehensive Needs Data

It should be assumed from the start, that publicly banked lands will be primarily used for residential housing purposes. Sections 40 and 42 of the National Housing Act state that agencies may assemble land for residential and associated purposes or to establish land banks for future development of a predominantly residential nature.<sup>1</sup> The development of a comprehensive needs analysis to determine the size of a land bank which is required, should therefore be based on the conditions of the local urban land market and the demand for new residential land. The analysis of needs is very much a question of demand and supply of housing lots. A comprehensive needs analysis may be made on the following basis, Demand:

1. Analysis of population change. Components of population change include total population, the birth rate, death rate, migration rates, households by size and type and net family formation. The latter is probably the single most important factor in determining demand. Also included under this are an analysis of cultural variables, such as education, ethnicity, etc.
2. Mortgage Lending Activity. Components of this category are the mortgage interest rate, the total number of

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1. C.M.H.C., N.H.A. Program, Op. Cit.

mortgages approved for new and existing housing by lending institutions, the number of National Housing Act mortgage loans approved and the general availability of mortgage money.

3. Income and Cost analysis. These would include income breakdowns, a new housing cost analysis, the average price ranges of new houses which are affordable by persons in each of the income ranges and the percent of the population which are unable to afford even modestly priced housing. Also the types of quality of housing services contained within the various priced houses may be noted.

SUPPLY:

1. House building activity. This includes the number of dwelling starts and completions, the types of housing constructed, the number of apartment units available, vacancy rates, the rate of new housing sales, total expenditures on construction and the total number of building permits issued.
2. The supply of land for residential usage. This involves an in depth land market analysis, such as the nature of land ownership, (i.e.) developers, and speculators, also the total amount of new land required for residential use annually, the number and

size of new subdivisions and the total number of lots serviced and placed on the market each year.

3. The characteristics of the existing housing stock.

This includes the analysis of the present stock, noting the number of persons per unit and other overcrowding factors and the total number of units considered to be moderately or seriously deteriorated.

Several of these factors may be considered to be either supply or demand. Both supply and demand are very much interdependent upon each other because as one varies, the other is likely to respond to meet the new market conditions. So, from these and other related factors a basis of need for residential land may be understood. From this needs analysis, a design on the size and location of a land bank may be made.

In attempting to determine the amount of land required for the establishment of a public land bank two main areas of concern should be examined:

1. the needs, supply-demand topic just discussed, and
2. the question of the extent to which government wishes to enter into and control the urban land market.

This latter point is a question of government policy and an analysis of this level of involvement will follow.

One of the most notable results of an effectively operated public land banking program is that lots of similar quality to privately developed lands may be as much as 30% cheaper by

government. So according to basic economics, demand would be greater for the less expensive lot resulting in a lowering of prices by other vendors in order to remain competitive in the land market. However, in disposing of the land banked lots to private developers for construction of the housing, government must guard against their raising the prices of housing to the general market level and recapturing the added increment as profits. Government, therefore could control the market price of land by carefully providing a large amount of housing lots which would undersell those of private developers. The greater number of lots which are placed on the market through land banking, the greater is the amount of control that government can exert over the market. So the government's philosophy of level of intervention into the private market is one factor to be considered. Some guidelines on the amount of land needed to effect the market are as follows:

1. Based on Canadian and European Land Banking experiences, 20% government land ownership of all lands ready for residential development will begin to control the market.<sup>1</sup>
2. Fifty percent and over would make government the most dominant supplier of land. Many persons may argue that government should own and service all land for housing purposes. This is again philosophical. For this study,

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1. Bureau of Municipal Research, Op. Cit., p. 45.

(because of the current economic structure of Canada), it will be assumed that the most likely intent of government in dealing with land, will be to act as another developer on the market, not wishing to totally control it.

Therefore to achieve a moderate level of market control, government should strive to create a land bank which will place between 25% to 40% of the residential lots on the land market in any given year. These parcels of land may either be scattered throughout the periphery of the urban area or in one large block (as in Edmonton's Mill Woods). In either case they should be spaced at various distances from the Central Business District to allow future development to approximately correspond to urbanization.

A second question in dealing with market control is the sale price of land banked lots. Present information shows that in preparing lots to be placed on sale for housing, private developers may take about 18% to 30% of the sale price as profit. Assuming government can prepare a similar lot at about the same price and that it sells the lots at straight costs, it could theoretically undersell private enterprise by this profit margin of 18% to 30%. For example, government could sell banked lots for \$7,000 to \$8,200 while private vendors sell lots for about \$10,000.

It would not be unreasonable for government to take a small profit on the sale of the lots, especially if this goes into a fund for new land acquisition, research or better planning and development techniques. This is permissible within the context of

present N.H.A. Land Assembly Legislation. This profit may be from about 3% - 10% of the total sale price of the land. This in addition to going toward improving research, planning and development techniques may be used to cover any increased overhead costs incurred by government. (The question is, can government produce a lot for the same fixed costs as private enterprise without the profit motive incentive?, is philosophical). So it appears that government will be able to maintain its desired level of market control by under-selling private developers by about 10% to 20%.

Another possible means of using this profit which government may realize through the sale or lease of land banked properties would be to, "use this profit to reduce the housing expenses of low income families."<sup>1</sup> These are the people who would benefit greatest from lower housing prices. Simply providing these lower income groups with cheaper land may not really help because they cannot afford the price for a new house anyway. Providing these people with a subsidized housing cost through the use of land bank profits could provide a direct redistribution of this community created increment to those who need it the most.

Econometric models may be useful in giving additional substance to needs information. "However, the lack of adequate data means that econometric models may not be helpful, since the input is simply not there to enable complex relationships to be analysed."<sup>2</sup>

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1. Blumenfeld, Hans; Op. Cit., P. 9 + 10.

2. Pearson, N.; Op. Cit., P. 98.

#### D. Clear Objectives of Planning in the Land Banking Process

The main objectives of planning in land banking are to promote an orderly, efficient and flexible program. Since land banking is future oriented, clear planning objectives are essential in the establishment of a land bank. Planning should be comprehensive in nature and allowed to operate on a large enough scale to adequately permit program implementation. Through proper planning, land banking will be able to foresee many of the problems which may arise and result in costly delays or the eventual reduced quality of the program. If possible, planning should be conducted on a tri-level government basis to help eliminate problems associated with powers and jurisdictions. If properly planned, a land banking program may be expected to operate more smoothly through all phases of establishment. Some planning guidelines for land banking are as follows:

1. Planning principles should be used in acquiring parcels of land for the original land bank. Locational, topographic, transportation and infrastructural considerations should be analysed along with needs data in making this selection.
2. Adequate servicing is required when lands are opened for residential use. The extension of sewer and water lines as well as co-ordinating plant capacities to meet needs should be planned to correspond to the requirements of new lots.

3. Existing and proposed transportation corridors should be planned within easy access to all new subdivisions.
4. Planning should be done on a comprehensive, community basis once new subdivisions are opened. Sites should be allotted for commercial, churches, fire, police, hospital, library, schools, parks and other institutional uses as needed as a part of the subdivision design.
5. Planning should be instrumental in determining the timing of parcel development. Since one of the attributes of banking large sized parcels of land is that subdivisions can be developed in stages to correspond to demand, planning can help in timing.
6. Planning land bank locations to be within the context of the city's master development plan, can help in directing urbanization and aid in promoting a planned urban growth.
7. Planning must be flexible enough to allow for adaptation to new situations which may confront land banking in the future.

"Large scale public land assembly in advance of need for urban development can have several beneficial effects on urban planning. It can facilitate plan implementation and encourage comprehensive and flexible planning of a project, a city or even a region. And it can make possible the inclusion in plans of broad social goals, as well as economic ones. This is why planners have been among

the most vocal supporters of land banking."<sup>1</sup>

#### E. The Establishment of a Potent, Adaptable Methodology

Out of the basic goals and objectives of land banking, a methodology for the development of a program may be made.

1. If land banking is to be viewed within the context of urbanization and ultimately a control for it, an understanding of the characteristics of local urban growth is necessary. This includes comprehensive data on the physical growth of the city. In addition, the attitudes of political officials and the general public should be analyzed.
2. The nature of property ownership and the urban land market should be examined. This will give an indication of the demand and supply of land for housing in the community.
3. Once urban growth and needs information have been studied, a land banking policy should be made. The question of: to what extent do we wish to effect the market and, what are the funding restraints of the program, should be evaluated and examined.
4. The acquisition of parcels for land banking should be located to conform with urban development plans.

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1. The Bureau of Municipal Research, Op. Cit., P. 23.

"The use of public land assembly to realize special objectives (control of urban growth) entails that the region must require a major physical intervention in support of its planning goals."<sup>1</sup>

5. All levels of government which are involved in land banking or are effected by the program, should be consulted in order to establish an information flow among the agencies. Land purchases, however, should be conducted by a single semiautonomous agency if possible, such as the provincial housing authority.
6. Land acquisition must be made to allow a continual flow of serviced lots annually onto the market. Thus research and planning should be made to facilitate purchases of land for the next 15 to 20 year period.
7. The program should be self sustaining and perpetual. Money made from the sale or lease of lots should be returned to a fund for new land bank acquisitions.
8. Needs for residential lots should be designed to correspond to the supply of land placed into service.
9. The extension of sewer and water lines should be anticipated to permit servicing as required.
10. Transportation planning should be done along with parcel location analysis.

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1. Spurr, Peter; Op. Cit., P. 358.

11. Comprehensive planning should be done to include site locations for all institutional uses associated with residential locations. Subdivisions may be designed in such a way as to be continuous patterns when subsequent stages of development are added.
12. If possible, government agencies should handle all phases of development including acquisition, design planning, servicing and even construction.
13. Lots should be leased wherever possible to prohibit speculation on properties after the transfer from public to private interests. Some antispeculation taxation systems may be of use in this case.
14. Where lots are sold, prices should undersell private enterprise by 10% to 20% to help control the land market.
15. Government should act as the controlling interest where ever possible in the land market and not as just another developer.
16. The land banking policy should be flexible to adapt to new circumstances which may arise.
17. The agency maintaining the bank should have adequate staff to conduct the program and the power to act unrestrained by cumbersome bureaucratic procedural red tape.

This methodology should hopefully be employed as a guideline for a land banking policy. Additional steps and refinements may be made to apply within the specific requirements of local programs.

PART TWO

THE MANITOBA LAND BANKING  
EXPERIENCE

PART II

CHAPTER III

Land Banking in Manitoba

A. The Legislative Power to Land Bank

The legislative power for provincial and local governments to bank land is authorized under the National Housing Act. This federal legislation was enacted in 1954, however, funds for some forms of land assembly have been available since about 1949. Prior to the Acts amendment in March 1972, funds were made available by the Central Mortgage and Housing Corporation, the federal lending agency, for land assembly through Section 35C.

35C (1) "C.M.H.C. may make a loan to a province, municipality, or public housing agency for the purpose of assisting that province, municipality or agency to acquire and service land for public or general housing purposes."<sup>1</sup>

Funding was made available on a 75% - 25% federal-provincial (or local) cost sharing basis. The legislation went on to define in detail the type and conditions of land which could be purchased.

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1. National Housing Act Legislation Statutes of Canada, Vol. I, N-10, 1970.

These regulations were of a very restrictive nature in requiring overly high characteristics for land. As a result, land assembly was not given the freedom necessary to adequately operate. Several attempts at assembly, including Manitoba's 1971 Experience, were unsuccessful under this structure. (See B. The Manitoba Housing and Renewal Corporation's 1971 Experience).

"In March 1972, amendments were made to the National Housing Act which proved to be the most significant changes in the Act since its creation in 1954."<sup>1</sup> Included in this, Bill C-213, (Clauses 14 and 15), were the changes in the regulations for land assembly programs. The amendments provided for:

1. N.H.A. funds to be made available for the purchase of lands to be later developed predominantly (over 50%) for housing and also for non-residential uses incidental to housing,
2. C.M.H.C.'s power to secure debentures and mortgages to provide loans for municipalities and provinces,
3. Ninety percent loans to be made available for 25 years with no principal until after the land has been disposed of,
4. Provisions for obtaining housing for families displaced by government land purchases.

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1. Canadian Council on Social Development, An Evaluation of the N.H.A. Amendments 1972 CCSD Ottawa, June/72. P. 18-20.

These new N.H.A. regulations provide a basis for land banking which is of a substantially larger context than the former land assembly programs. (The differentiation between land assembly and land banking is discussed in B. The M.H.R.C. Experience). This legislation forms the legal basis for most present public land banks.

The specific policies of the new legislation allowing land banking, are now found in Sections 40 and 42 of the National Housing Act.

Section 42 states that N.H.A. loans covering up to 90% of the cost of assembling and developing land for housing or any purpose incidental thereto are available through C.M.H.C. A loan may be made to a province, to a municipality with provincial approval, or to a publicly-owned housing agency. The loan may cover the cost of acquisition, clearance, planning and servicing of the land as determined by C.M.H.C.

Where the loan is to be used to acquire land for leasing on a long term leasehold basis, the term may be up to 50 years. In all other circumstances the maximum term is 25 years. It will bear the interest rate prescribed by the Governor-in-Council.

Conditions of repayment are:

1. The payment of the interest shall be made not less frequently than annually,
2. The loan shall be repayable during its term or as the land is disposed of.

Applications for loan assistance will normally be made in the following stages:

1. Land Acquisition
2. Planning and Design
3. Installation of services may be in stages.

This means that, in effect, sewer and water installations may be made in phases to correspond to the amount of land desired for development at any given time.

The applicant is required to provide Central Mortgage and Housing Corporation with evidence of need for each proposal. Sales of the final land may be either on a leasehold or a freehold basis.<sup>1</sup>

This new legislation is basically better constructed than the former land assembly legislation and enables the legal power and flexibility necessary for land banking. However, some weak points noted in the legislation are as follows:

1. Provincial or municipal agencies, wherever possible, should submit a workable land acquisition program to help ensure conformity with local development goals.
2. The majority of lots released under land banking should be leasehold with the option to buy.
3. The loan period should be extended to 50 years if requested by local or provincial authorities.
4. Lease fees should be a function of actual costs incurred rather than local market conditions.

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1. C.M.H.C. New National Housing Act Programs, 1973 Ottawa, August/73, P. 6.

5. Incidental funds should include acquisition of open or green spaces, new town lands and all community related services.<sup>1</sup>

The Manitoba Housing and Renewal Corporation is the provincial agency which handles land banking acquisitions and management for the Government of Manitoba. Under this new land banking legislation, M.H.R.C. is able to operate relatively unrestrained in purchasing land, at least under federal regulations. The Central Mortgage and Housing Corporation will approve land banking loans with only a portion of the governing guidelines which existed under the former legislation.

Other legislation which effects M.H.R.C.'s land banking program is mainly at the provincial level. The three Acts which most effect land banking are:

1. The Manitoba Housing and Renewal Corporation Act - This authorizes M.H.R.C. to deal in all phases of housing and land development and provides a framework for this land banking implementation.
2. The Land Acquisition Act - This is probably the single greatest restraint to M.H.R.C.'s land banking program. The Act requires that land acquisitions be made through other agencies on behalf of the Corporation. This results

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1. Can. Council on Social Development Op. Cit. P. 18-23.

in lost time and some substantial program limitations.  
(This is explained in Chapter IV).

3. The Expropriation Act - "This is the statutory right of government to acquire real property for the public purpose, in the public interest, without the consent of the owner."<sup>1</sup> Although M.H.R.C. has not used this means of land acquisition to gain land banking parcels, the City of Winnipeg is presently in the process of expropriating about 2500 acres of land for a bank in Southern Winnipeg. (Chapter IV, B.7 The City of Winnipeg).

The first Manitoba Housing and Renewal Corporation attempt at assembly of land occurred in 1971. The program eventually did fail although for reasons which will be examined. However, this early attempt has acted as a forerunner to the present land banking policy. The present program has had much more success than the 1971 attempt. Some major problems are still confronting its potential achievements.

Under the current legislation, the Central Mortgage and Housing Corporation allows a much greater autonomy to local and provincial governments in conducting land banking programs than was the case

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1. Dept. of the Attorney-General Your Rights Under Expropriation Province of Manitoba June 1971.

under the former National Housing Act Legislation. Presently, the initiating land banking authority is able to handle most aspects of the selection of land, establishment of policies and the disposition of the final lots. This gives each program the ability to operate and adapt to the local conditions and goals of the community in which land banking is instituted. Under the former legislation, C.M.H.C. placed many policy restraints on the administering provincial or local authorities. The end result was often a program too encumbered by procedural red tape to really exert a substantial impact.

The following two sections will analyse each of the Manitoba Housing and Renewal Corporation's attempts under the different legislations.

B. The Manitoba Housing and Renewal Corporation's 1971 Land Assembly Program.

Under the former Central Mortgage and Housing Corporation legislation, National Housing Act Section 35C (since amended), funds were made available by the federal government to enable the assembly of lands for residential use. The concept of assemblage of land formed the basis from which present day land banking eventually emerged. The fundamental principles of both concepts are similar. However, two specific differences are noted,

- a. Horizon Periods - Land assembly has a relatively short horizon period, (i.e. anticipated date of lands development), usually a maximum of from 1 to 3 years. Land banking has a longer horizon period often 5, 15 or even 25 years into the future.
- b. Development Scale - Land assembly has a limited scale, this is almost exclusively for housing. Land banking includes all phases of development and planning which are related to housing and the normal community functions.

Even though differences in time and scope of development exist, the idea of land acquisition for future use is common to both land assembly and banking.

In 1971, The Manitoba Housing and Renewal Corporation was provided with the responsibility on behalf of the Provincial Government to initiate a land assembly program for Manitoba. This was probably because land assembly was for residential purposes and also the National Housing Act legislation which enabled public housing agencies to receive funding. During July 1971, M.H.R.C. was authorized to begin land acquisition in Winnipeg under the Federal assembly legislation. A total of \$6,000,000 was budgeted for this use with the stipulation that the funding period was to expire at midnight December 31, 1971. Any unused portion of the allocated amount would be forfeited at that time. It became imperative for M.H.R.C. to quickly develop a procedural framework to institute the new land assembly program.

The concept of land assembly was new and quite different from other land acquisitions M.H.R.C. had been used to dealing with, such as small parcels of land for public and elderly persons housing. However, land assembly was immediately felt to be a very creative policy with many potentials beneficial to housing. New plans and policy ideas began to evolve for land assembly implementation from within M.H.R.C. "By our Corporation (M.H.R.C.) now acquiring more land than it actually requires at the present time for its own development, the Corporation will be better able to control and influence the nature and scope of development in and adjacent to

its public housing."<sup>1</sup>

However, practically from the start of the program, great problems and difficulties were encountered in achieving the goals set for land assembly. These factors, which will be explained in the following section, eventually hindered and constrained the assembly project to such an extent that in the end, it met virtual failure.

Great difficulty was encountered during the 1971 Land Banking attempt in locating suitable sites for land assembly acquisition. At that time no one at Manitoba Housing and Renewal Corporation or at other Provincial Government agencies had mapped the pattern of land ownership in the environs of Winnipeg. Therefore, a great amount of staff time was required simply in locating potential lands and as a result, few parcels were actually purchased.

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1. Jeroff, M., from M.H.R.C. files, comments on M.H.R.C. Land Assembly Program, Summer, 1971.

### C. Why the 1971 Experience Failed.

The 1971 Manitoba Housing and Renewal Corporation Land Assembly Program failed for two major reasons:

1. Inflexibilities of the Federal Land Assemblage Legislation, Section 35C, and
2. Inadequate procedural methodology combined with a too limited M.H.R.C. acquisition staff.

An account of each of these limitations will follow. The information has been obtained from the M.H.R.C. files and personal interviews with M.H.R.C. staff who were involved with the program.

The main problem hindering Manitoba Housing and Renewal Corporation's 1971 Land Assembly Program was the inflexibility and delays which resulted from the great amount of red tape and strict acquisition regulations inherent in the old National Housing Act legislation. At that time, funds were very difficult to obtain due to the many rules and regulations which were attached to the money. Money was made available only for parcels which were able to meet practically ideal specifications. For example, regulations required that land purchased had to be ready for development in the very near future (i.e., short horizon period). This meant that servicing, zoning, transportation systems, and other factors making the area prime for development had to be readily available before potential assembly sites would be considered. In addition, such sites would almost always be already owned by developers or

speculators who were established in areas around existing development. So for the few sites that were prime for development, the patterns of ownership by property entrepreneurs were already well established.

A second major problem which confronted public land assembly in 1971 was the general lack of a defined procedural methodology as well as a limited staff to institute the large scale program. Manitoba Housing and Renewal Corporation had only one appraiser and one additional staff member, who along with the Manager of the Corporation, were in charge of all duties relating to the functioning of the program. The staff was unable to handle such an extensive program in such a short time. Eventually, later in the Fall, 1971, an additional appraiser was hired to aid in the program but this was really too little, too late, to have beneficially changed the situation.

Some other difficulties encountered by M.H.R.C. in the process were the varying problems involved with the inclusion under the Land Acquisition Act, a poorly defined strategy, a lack of direction from other provincial authorities such as Management Committee of Cabinet and the Planning Secretariat, and in the more limited scope of the land assembly context previously explained.

In retrospect the 1971 program ultimately did not fare so very poorly, considering the many hardships, limitations, and short amounts of time which plagued it. In fact, several real achievements were made. A total of approximately 290 acres of land were

purchased around Winnipeg from the program. This property has now become a part of M.H.R.C.'s new land bank. One large parcel purchased in 1971 remains as probably the most potentially valuable and nearest to development properties in the entire Manitoba Housing and Renewal Corporation land bank. Unfortunately the whole \$6,000,000 budget was never spent due to the inability to locate enough adequate land. The unspent balance was lost at the end of the 1971 calendar year.<sup>1</sup>

With the new year, 1972, additional funds were made available for land assembly by the Provincial and Federal Governments but no additional properties were purchased. This was largely due to the problems previously mentioned and also internal difficulties at M.H.R.C. A very substantial divergence of philosophies within the Corporation's Board of Directors occurred at this period and land assembly was given a lower priority. This was partially the result of the frustrations encountered from the experience of the previous year. By the Spring, 1972, the M.H.R.C. land assembly program had come to a complete standstill which marked its final end.

The 1971 Manitoba Housing and Renewal Corporation Land Assembly Experience should be considered a failure on the basis of what could have been done beyond what little was actually accomplished. This

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1. From an interview with Neil Osler, former Manager of M.H.R.C. during 1971-72.

program could have resulted in a very significant difference in Winnipeg's present land ownership pattern. Developers and speculators have, in the intervening three years, privately assembled thousands of acres of prime future development lands around the City. It now seems especially unfortunate that more good parcels like the single 200 acre property in St. Boniface were not bought. Many of the properties which were for sale in 1971 and 1972 were prime for land banking but have since been purchased by the large developers. As a result, fewer and fewer large quality lots come onto the market for sale. This makes public land banking more difficult as properties which might be used for quick start development are usually not for sale. The land could have made a great difference in the quality and size of Manitoba Housing and Renewal Corporation's present land bank and possibly the price of residential lots if it would have been obtained in 1971 or 1972.

The problems which hindered the 1971 Experience are important and noteworthy in viewing the present land banking process. Hopefully, the downfalls of the former experience can be used to strengthen policies of the present land banking program.

D. An Evaluation of the Provincial Governments present Land Banking Policy.

As stated previously, since about 1971 private developers have begun to rapidly assemble undeveloped properties around the periphery of Winnipeg. "In August 1973, the four largest private land developers, B.A.C.M., Qualico, Ladco, and Metropolitan Homes owned in excess of 9200 acres of land suitable for development within the next 20 years around the City."<sup>1</sup> This figure represented possibly one half of all of the City's residential land requirements for the next 20 years. (This amount has recently increased to over 10,000 acres, See Ch. V). Realizing the serious consequences that virtual private control of the residential land market would have on future development, the Provincial Government quickly finalized plans to initiate a second governmental attempt at land assembly. Unlike the first attempt, better and simpler funding methods along with more flexible program capabilities were enabled under the new land banking amendments to the 1954 National Housing Act.

The Manitoba Housing and Renewal Corporation was again given the responsibility for developing and maintaining the new land bank. Acquisition began in late October, 1973.

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1. The Winnipeg Tribune, Private Land Bank Swells, March 8/74.

For the first three months acquisitions went on at a "feverish pace" and many marginal parcels were bought. Several of these appeared to be over twenty years from development. By the end of the year it seemed that the intended effectiveness of the public land bank would be only minimal because of the generally poor quality of the majority of sites which were purchased. Some staff members privately stated at that time that the bank would not be good for control of the urban land market for up to fifteen years and would have little effect on it in the intervening period.

Although some indications had been given publicly by senior level provincial officials that government was undertaking the banking of lands around Winnipeg, no indications as to the amount or location of the properties were disclosed for some time. The first specific, official public announcement that land banking was being conducted came in late March, 1974. "News of the (land banking) plans were made public today in an announcement by federal Urban Affairs Minister Ron Basford that almost \$3 million in federal loans had been approved to cover 90% of the acquisition costs under the Land Assembly Program."<sup>1</sup> It was also announced at that time that Manitoba Housing and Renewal Corporation had already purchased some 1300 acres of land around Winnipeg for its land bank. Until this time the plans had been kept fairly secret, even from City

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1. The Winnipeg Free Press Gov. to Buy 1347 Acres for Housing, Friday, March 29, 1974. P. 1.

officials. "City Councillor Dick Wankling, Winnipeg's Deputy Mayor, said he was startled at the amount of land involved."<sup>1</sup>

Acquisitions continued and in the Spring and early Summer of 1974, and several large and well located properties were added to the land bank. These parcels have now put M.H.R.C. into a much better position of exerting some impact in controlling the future urban land market. "M.H.R.C. now owns about 2500 acres of land, an increase in excess of 2000 acres in the past nine months."<sup>2</sup> If the City of Winnipeg acquires the additional 2500 acres of properties which it is presently considering to expropriate in Southern Winnipeg, (See Chapter IV B.5), this will give government control of over 5000 total acres of land or approximately one third of the total housing land market requirement.

The federal legislation makes funding for public land banking relatively easy to obtain. However, the biggest constraint on Manitoba Housing and Renewal Corporation's most recent program has been provincial legislation, in particular the Land Acquisition Act. This legislation requires that M.H.R.C.'s property acquisitions be administered through another governmental agency. As a result, the Manitoba Housing and Renewal Corporation does not have an adequate

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1. Ibid

2. The Winnipeg Tribune Housing Agency's Holdings Increase, August 1, 1974.

input into the final purchase of property which it desires for its land bank because of price restrictions. The Corporation has the power to recommend potential sites only, as other government agencies then negotiate, appraise, and accept or reject the final sale price. This process has not only limited M.H.R.C.'s power to exercise its options over the location of parcels, but has also resulted in long delays and even loss of potentially good parcels. (This is explained in some detail in Chapter IV). However, in spite of this constraint, the present size and quality of M.H.R.C.'s land bank appears to be improving with recent acquisitions and the potential benefits for the supply of future residential lots is increasing.

Delays in the land acquisition process in themselves are not only responsible for postponing the eventual banking of the property but may also result in higher costs as land prices have rapidly risen in Winnipeg recently. Large parcels of land may experience price inflations of thousands of dollars per acre over a long delay period. Also the possibility of losing the property as some owners sell out to private developers who offer less problems in acquisition. Finally the loss of staff time and energy as a result of delays are also very costly in terms of dollars as well as energy.

E. Need for a Concentrated Effort toward a Stable Land Banking Policy.

The Manitoba Housing and Renewal Corporation now has the basic land inventory needed to meet the objectives of land banking. However, even though this stock is of fair quality, the assembly of land has occurred without the use of a really stable land banking policy. To some extent land has been purchased with the idea that a policy will develop at a later date or as the land is ready to be put into use. This general lack of policy may be rationalized in part because of the rush to acquire the original properties. However, now that an initial land bank inventory has been created, concentrated efforts toward the establishment of a stable land banking policy should be made. Some recommendations to achieve this are as follows:

1. M.H.R.C. should begin to specifically define its organizational and managerial responsibilities for implementing its land banking program.
2. The legal aspects associated with acquiring and developing the lands should be simplified and regularized wherever possible.
3. The costs of development and the means for funding the future lands should be examined at the present.
4. A means of trading small or marginal parcels with developers for parcels more specifically suitable to M.H.R.C. should be considered.

5. A policy for acquiring new properties on an ongoing basis once development begins should be established.
6. The possibility of allowing tenant farmers to continue cultivation of banked properties until ready for development would provide some income and prevent croplands from going idle.
7. Better policy should be established between the Province and the City in co-ordinating land ownerships.
8. Policy on land marketing should be initiated.
9. The means of disposal of the lots should be examined. The questions of freehold, long term leasehold or leasehold with the option to purchase are important topic areas.
10. Concerns of who should be given the preference of lots to build on should be studied. Possibly Co-op or other public interest construction groups should be considered.

These and other policies should be made at the present stage of M.H.R.C.'s land banking program in order to create an established course to follow in the maintaining, developing and releasing of properties. A stable land banking policy is now necessary if the Manitoba Housing and Renewal Corporation is to achieve the potential benefits and goals of the program.

From the formulation of a comprehensive policy, a more stable

idea of direction may be found on which to base future actions. Such a policy may be fairly general at the start and at a later time be made more specific to meet the conditions encountered at that time. It is important, however, to have at least some basic policy directed toward reaching the goals of land banking.

## F. Experiences of Other Land Banking Projects.

### Saskatoon

Probably the best known and most successful land banking project in Canada has been in Saskatoon. "During the depression large numbers of entrepreneurial land owners defaulted on their property assessment payments and the municipality thus acquired ownership to large tracts of development land."<sup>1</sup> Since then the City has continued to acquire and develop the majority of all properties necessary for residential growth. Land has been continuously acquired ahead of development to meet the expansion needs of Saskatoon. Presently the City holds about 6000 acres of future development land within its land bank.<sup>2</sup> Today the cost for a subdivided lot is among the lowest for a large city in Canada. "In 1973, the average price for a serviced lot was \$3,700 while the Canadian average was about \$5,250."<sup>3</sup> However, the slower growth rate which Saskatoon has experienced over the past five years (about 2% annually), has probably helped to keep this cost down by reducing the demand for new housing. The scale of city land ownership is such that there has been comparatively little large scale private land ownership. The result is lower land costs for housing.

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1. Hellyer Task Force Op. Cit. P. 40.

2. Ravis, D.P. The Saskatoon Experience, U. of Waterloo, 1972, P. 25.

3. Canada Housing Statistics 1973, Op. Cit. P. 74.

## Edmonton

In 1970 the City of Edmonton and the Province of Alberta jointly purchased a nine square mile area in the southeastern portion of the City. The acquisitions were made in relative secrecy and over a short period of time. The majority of the land purchased was used for agriculture and therefore obtained at a fairly low price, an average of about \$2,000 per acre. Since few developers or real estate agents felt the property would be used for residential purposes (the Edmonton Development Plan had designated the area future industrial sites), and because purchases were made in secret, very little speculation occurred on the buying of properties. Today the project is known as Mill Woods. "Revenues obtained from the sale of the properties in the project are used to acquire additional land banking parcels around Edmonton."<sup>1</sup> To date nearly 1200 acres of land has been developed for residential and related purposes. In addition to offering adequate amounts of land for housing, another objective of the project has been to influence the price of adjacent lots sold by private developers. Mill Woods is having a large effect on doing this as land banked lots are selling as much as 20% below privately developed lots.

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1. From a letter from Mr. P. Ellwood, General Manager, Real Estate and Housing Department, Mill Woods Project, Edmonton, Alberta.

"However, the existing evaluations of the project are inconclusive as to the impact that Mill Woods will exert on the present land market in Edmonton on the whole."<sup>1</sup>

#### The Ontario Housing Corporation

"Any municipal council which believes that there exists a local need for serviced land for residential development may apply to O.H.C. for assistance."<sup>2</sup> If the need is found to exist and the municipality agrees to the recommendations of the Ontario Housing Corporation, land may be acquired for either immediate development or for land banking. The program was established to assist low and moderate income groups obtain adequate housing and has been fairly successful to date.

Another attempt at public land banking in Canada which has been little publicized is at Hamilton. The City of Hamilton like Saskatoon, has had a long history of acquiring lands for public use such as vacated airports, parks, transportation right of way, and tax defaults of properties. "Today, O.H.C. owns about half of a 3500 acre site above the Niagara Escarpment on the outskirts of Hamilton." This area is expected to have a future population of 70,000 people.

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1. McFadyen, S., A Research Design for the Mill Woods Impact Study, Alberta Housing Corporation, Edmonton 1973.
  2. Randall, S., The H.O.M.E. Plan, O.H.C., Toronto, 1969.P.2.

"This is enough to exert a strong influence on the whole planning process as well as protect the public from the effects of speculative increases in land prices."<sup>1</sup> Specifically, the land assembly program is a part of the Ontario Housing Corporation's H.O.M.E. (Home Ownership Made Easy) program. Once a decision has been approved by the Ontario Cabinet for a land assembly, the acquisition strategy uses secrecy and speed in the process.

#### Stockholm, Sweden

"The Swedish society has not considered it possible to entrust the co-ordination of the land utilization functions of urbanization to free market forces. Thus a number of measures have been introduced to establish local authority land ownership to prevent speculation."<sup>2</sup> Public acquisition of lands needed for Stockholms development has been in practice since 1904. Presently almost 80% of the nearly 180,000 dwellings on the outskirts of the city are built upon publicly acquired land bank properties.<sup>3</sup> One of the prime objectives of S.T.R.A.D.A. (The Swedish Land Buying Company) is to acquire land to fulfill the planning objectives of Stockholm.

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1. Pearson, N., A Methodology for Housing and Land Bank Need Analysis, O.H.C., Toronto, March 15/73.
  2. Lund, E., Some Views on Land Ownership and House Production in Sweden, Geoform, West Germany, 1972, P. 31.
  3. STRADA, Land Acquisition and Leasehold Systems in Stockholm, Strada, Stockholm, 1967. P. 4.

The large scale public ownership of land has allowed for planning of all required urban infrastructures and also has controlled the location and scale of development throughout the area. "Altogether since the first purchases of land in 1904, the City of Stockholm has acquired more than 50,000 hectares of land, (about 125,000 acres)."<sup>1</sup> The use of leasehold tenure has helped municipalities solve many of the problems associated with land assembly distributions and has also enabled governmental recapture of increments in land value which are incurred over time. All indications show that this land banking program has been highly successful.

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1. National Swedish Building Research, Municipal Land Policy in Sweden, National Housing Board, Stockholm, 1969.

## CHAPTER IV

### The Role of Government

#### A. Intergovernmental Decision Making Structure

From the start of the Manitoba Government's second land banking attempt in late 1973, it was evident that the existing Provincial Land Acquisition Act would place moderate constraints on the effectiveness of the program. The very nature and goals of land banking require expedients and some amount of autonomy. Neither of these qualities could be assured at the time due to the legislation and it appeared as a result that land banking would lose a great deal of its intended impact. The Land Acquisition legislation which worked relatively well with standard governmental land purchases, such as right of ways, would likely result in the limitation of that flexibility which is so essential to land banking. The ultimate success of the program without at least moderate changes in the legislative framework, seemed doubtful. Even with the new amendments to the National Housing Act allowing sizable funding, the red tape and bureaucratic procedures of the Land Acquisition Act presented substantial obstacles. The government did, however, express its desire to promote the program by allowing a minimum of procedural changes and rule adaptations to enable land banking to begin. Without

these, this latest program may have been as ill-fated as the 1971 experience.

Under the standard Land Acquisition structure, the Land Banking Program would have likely failed completely or at least, not have been the moderate success which it has been to date. Several modifications were made at the start of the program during the Fall, 1973. These changes deal basically with keeping partial autonomy, in limiting price gouging and speculation, and in attempting to speed up the time required to complete the acquisition process.

Although the Provincial Government did show its desire to enable land banking, it did not fully give the program the power necessary to operate. Even the slightly modified Land Acquisition Act still substantially restrained the flexibility of the program, and its eventual degree of success. There still remains much room to streamline the cumbersome procedure. These proposals will be described in Part D of this chapter. First, however, an examination of the present structural framework and its evolution from 1971 to the present form will be made.

1. Procedure for General Land Acquisition used in the 1971 Land Assembly Program

The prescribed operation for land acquisition and assembly prior to the Summer of 1973 offered the likelihood of poor outcomes for

land banking as witnessed by the 1971 attempt. The procedure functioned with great difficulty within the Government's guidelines of the type of land characteristics required, having to meet practically perfect conditions. Private individuals, real estate agents, owners, the Land Acquisition Branch, and M.H.R.C. all sought out prospective parcels meeting the specific requirements. When a potential site was found, Manitoba Housing and Renewal Corporation was, (and still officially is), required to make a formal request to the Land Acquisition Branch which appraised the value of the property, and then entered into negotiations with the owner. The purchaser was made known at this time to be the Provincial Government. The market value is defined as "the amount that the land might reasonably be expected to realize if sold in the open market by a willing seller to a willing buyer."<sup>1</sup>

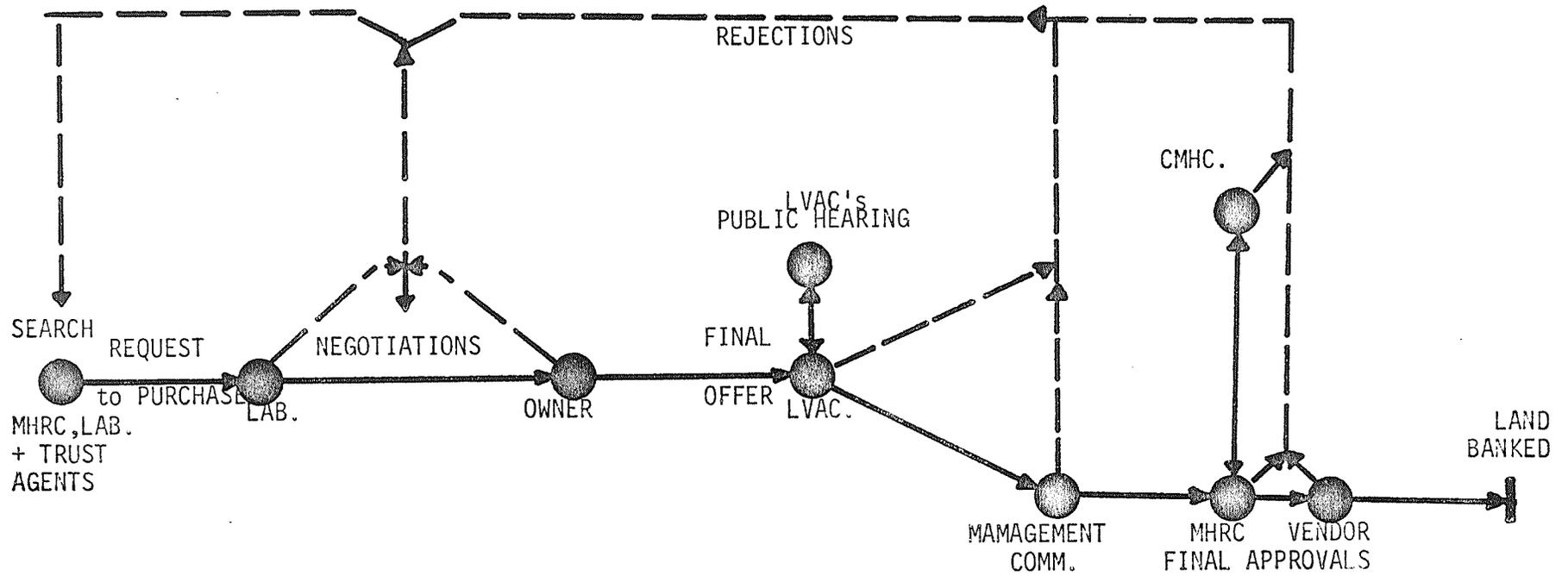
Upon reaching a mutual agreement of the purchase price with the owner, the Land Acquisition Branch applied for a public hearing for certification of value, to the Land Value Appraisal Commission (See Chart III). At this point the Land Value Appraisal Commission formerly, (prior to summer 1973), set a date for a public hearing on the purchase. At the meeting, the owners met with the Commission along with the interested public and news media to determine if the sale

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1. The Expropriation Act, R.S.M. Ch. E190, 1971, S, 27(1)

THE MHRC LAND ASSEMBLY PROCEDURE  
 (prior to the changes in the L.A.A., 1972)

CHART III.



TOTAL TIME - about 150 days (excluding title clearance)

price was within the limits of market value. Or, does the price to be paid to the owner "represent due compensation in respect of the acquisition?"<sup>1</sup> At this point, it became public knowledge that government was buying land, in which areas, for what purpose, and for how much. This information might be used by other people attempting to make a profit by selling their lands to government and result in higher asking prices. This is self defeating to land banking which strives to hold down land values, and was a major stumbling block under the previous rulings. The change in the public hearing ruling will be discussed in a later part.

If the Land Value Appraisal Commission certified (accepted) the sale price, it authorized the Land Acquisition Branch to make the purchase after the Management Committee, the Government's financial agency, gave its approval. In the meantime, M.H.R.C. made an application to Central Mortgage and Housing Corporation for a loan to cover most of the cost of acquisition. If the price was considered unfair to either side by the Land Value Appraisal Commission, the price was again sent into negotiations. This is basically how the procedure stood in October, 1973.

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1. The Land Acquisition Act, R.S.M. Ch. L40, 1971, S, 12(1)

## 2. The Present Procedure for Land Banking

The higher echelons of government, in their policy-decision making capacities, were firm in their desire to have the Land Banking Program operate (however much on a subsistence level), within the Land Acquisition Act's framework. So apparent directives were made, through the Ministers and other senior government officials, allowing some procedural changes to enable the program to survive. Along with the stated modifications in the National Housing Act legislation permitting land banking, several minor, but important procedural changes were made in the Land Acquisition process to allow Land Banking.

In the present phase of land banking, it was felt in the Fall of 1973 that initially, some degree of secrecy was desirable. "Speculators and developers could always benefit from information which is sometimes difficult to keep as a secret. One possibility to avoid the over-pricing by owners of their land is to deal through real estate agents."<sup>1</sup> The idea that "government can afford to pay more than private developers" is not uncommon in the sale of land.<sup>2</sup>

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1. Dubois, Raymond. Report on Management Committee Proposed Procedures for M.H.R.C. Land Acquisition, M.H.R.C., 1973.

2. Ibid.

In order to keep the name of government anonymous, two modifications were necessary; first, government's name must be excluded from the offer to purchase and the final certificate of sale, and secondly, the public hearings held by the Land Value Appraisal Commission must be deleted. These basic requirements were made in the following way, (See Chart IV):

- a. A trust company was selected to carry on all direct contacts with the land owners including negotiations and agreements on behalf of the Land Acquisition Branch (the government was thus unknown as the buyer).
- b. The partial waiving of the Land Value Appraisal Commission's public hearings (The newspaper advertising of Public Hearings, etc...). The government's name is helped to be kept unknown as the Commission deals with the owner's lawyers in semi-privacy. The owner's rights are still fully protected according to the law in his absence.

Therefore, these two changes in the normal land acquisition process have helped to satisfy land bankings requirements of the need for secrecy.

Another part of land bankings needs within the land acquisition process, expedients, was also achieved, but to a much lesser level of satisfaction.

The three basic changes are as follows:

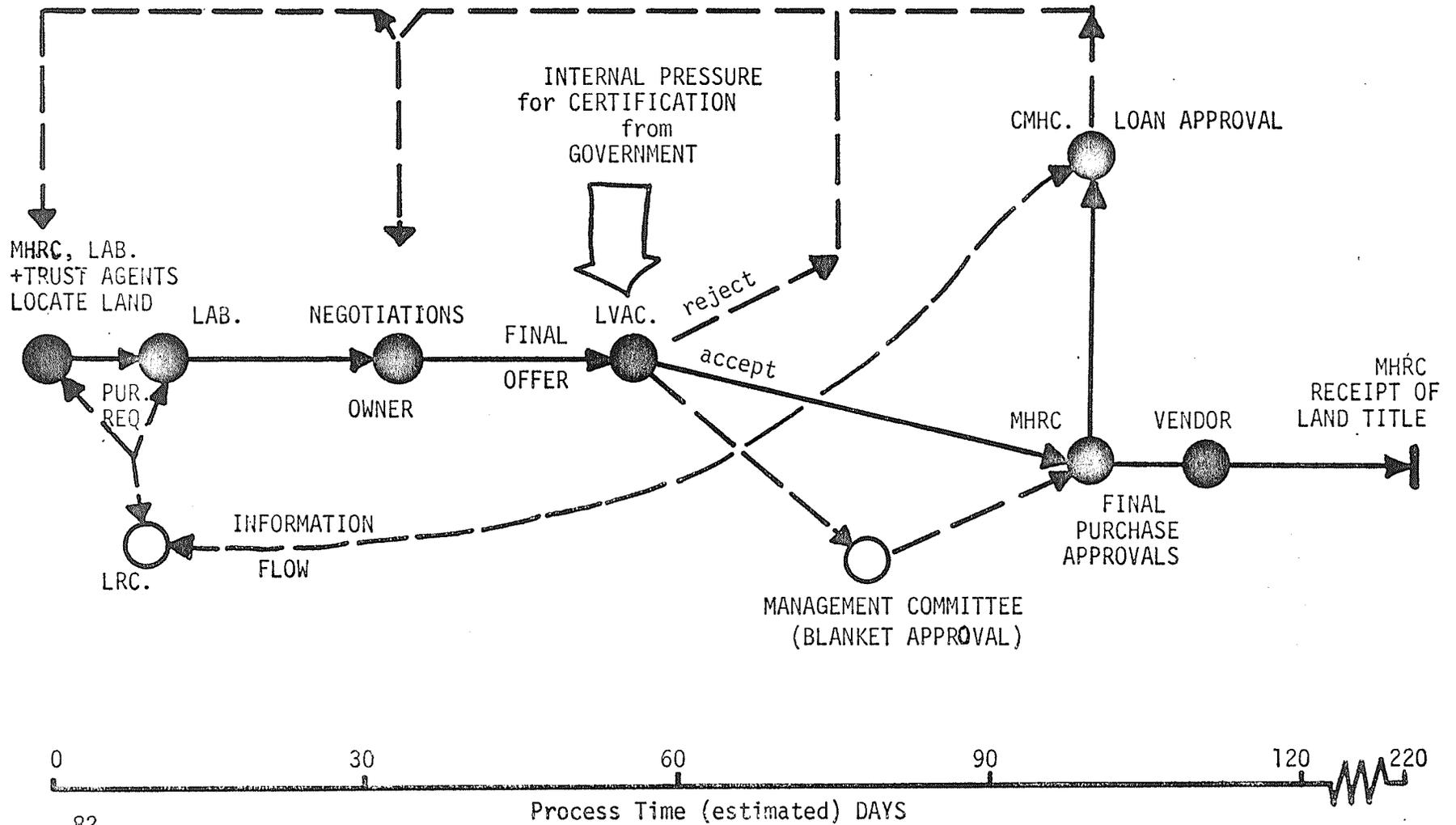
- a. The establishment of the Land Review Committee to act as an early forum for the agencies to discuss prospective parcels.
- b. Somewhat reducing the bottleneck in the process created by the Land Value Appraisal Commission.  
(See L.V.A.C. IV B.)
- c. The blanket approval now given by the Management Committee on virtually all land banking matters.

As stated, these changes in the fall of 1973 have enabled the Land Banking Program to prosper to its present extent, but the potential success of it has possibly been reduced by these half-hearted measures.

These five basic changes have provided the Land Banking Program with a moderate amount of flexibility while still keeping within the Land Acquisition Act framework. It is questionable whether such a program could have survived at all without these revisions. However, the revisions alone would not have resulted in the present land bank if there had not been a general willingness and interest by the individual agencies to expedite, more or less, the process.

MHRC's ACQUISITION PROCESS  
for LAND BANKING

CHART IV.



## B. Function of Government Agencies in the Land Banking Process

### 1. The Planning Secretariat Of Cabinet

The basic attitudes of The Planning Secretariat of Cabinet (formally the Planning and Priorities Committee of Cabinet), are expressed in Chapters 10 and 12 of Guidelines for the Seventies.<sup>1</sup>

The Planning Secretariat of Cabinet recognizes the rapidly increasing cost of residential land and the decrease in the amount of serviced lots. It recommends the establishment of a public land banking program in the province's larger urban areas. "In addition, public control of large quantities of land would assist in curtailing the speculative profit expectations of land development." "Conceivably, a land bank could hold costs for a serviced lot in Winnipeg to \$5,000 by 1975, and to \$5,500 by 1980." (already outdated). It suggests that the Manitoba Housing and Renewal Corporation undertake a bigger role in a variety of housing programs and service installations. Government should "undertake regulations controlling land development with the view of establishing standards which guarantee efficient and qualitative ways of developing land." In addition, P.S.C. foresees that "minor legislative changes" must occur in addition to a new Land Banking Policy.

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1. The Province of Manitoba Guidelines for the Seventies, P.P.C.C., March 1973, Vol. 2 and 3, Chapters 10 and 12.

"The acquisition of land by the public sector could reduce the cost of land and control land use; land banking is a workable solution, even if this requires expropriation."<sup>1</sup>

#### The Planning Secretariat Of Cabinet

There have been recent changes in the Minister of Urban Affairs responsible for Housing. The new Minister has indicated that he intends to make the Manitoba Housing and Renewal Corporation a major controller of land in the Province. Until the present Land Banking Program, M.H.R.C.'s role as far as land acquisition, has been conservative and relatively minor. M.H.R.C. is now beginning to gain expertise and experience needed to conduct the program.

Several major problems are now impeding the present Land Banking Program in Winnipeg. First is the structural problem between M.H.R.C., the Land Acquisition Branch and the Land Value Appraisal Commission. In addition, real estate negotiations always take a long time. The result is a great amount of time consumed in the purchasing process. In this structure, M.H.R.C. is forced to assume an indirect rather than direct role. Another problem is that most prime land banking sites are already owned by speculators and developers. The Planning Secretariat would either propose that M.H.R.C. be eliminated from the Land Acquisition Act or stronger

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1. Ibid.

less cumbersome links be made between it, the Land Acquisition Branch and the Land Value Appraisal Commission through amendments to the Act.

Land banking could offer very tangible benefits for all urban areas in Manitoba. One of its big advantages compared to privately developed land, would be the lower interest rates and carrying charges incurred. Through public financing, interest rates would be about 10%, while private developers pay 11% to 13% interest (circa November, 1974). This difference is substantial under large capital outlays. Land banking could also help control the local land market.

When asked for his opinion concerning the eventual success or failure of the present Land Banking Program, the Planning Secretariat Spokesman indicated that the outcome is very positive for communities outside of Winnipeg, but less so in the City. The program is being instituted in several other urban centers besides Winnipeg, and is being considered for other areas having a good potential for future growth. Such lands could be primarily used for public housing and assisted home ownership programs.

However, in Winnipeg, at least under the present situation, the outlook is not felt to be as hopeful. Most of the best lands are already owned by private developers. The spokesman feels that the present land banking system is cumbersome and inefficient.

"The outcome of the program may not be as great of a success as originally hoped." The present government has and is taking a conservative approach to the urban land problem. In order for any policy to have an effect on the present ownership pattern, drastic changes will be necessary. The Manitoba Housing and Renewal Corporation will have to become less constrained by the Land Acquisition Act's legislation or possibly by other means such as taxation, right of first refusal, etc....

In conclusion, it is apparent that the Planning Secretariat of Cabinet is very aware of the seriousness of the residential land problem, and advocates some very activist measures to enable the establishment of land banking.

2. Manitoba Housing and Renewal Corporation  
Real Property Division

The Manitoba Housing and Renewal Corporation feels greatly restrained within the present land acquisition framework, not only for land banking, but in all areas where land is purchased for their needs. Over a year ago, several members of the Corporation confronted several Ministers of the legislature in an attempt to have the process changes, but to no effect. Manitoba Housing would like to have its own authority to acquire lands without having to go through the Land Acquisition Branch or the Land Value Appraisal Commission. Basically, this change would require that M.H.R.C. be

withdrawn from the Land Acquisition Act and handle its own land matters. This could occur through the creation of its own Land Board (See Part D. Proposals).

The required time in completing transactions, presently is often very lengthy. This results not only in parcels being "lost", (sold to other buyers), but also in increasing costs as land prices in Winnipeg have recently been increasing almost weekly.

Land banking purchases have surprisingly gone much more smoothly and quicker than acquisition of land by M.H.R.C. for other purposes such as for public housing. It has already been suggested that the reason for this has possibly been due to the pressure placed on the Land Value Appraisal Commission by the Minister to "rapidly get the land needed for the Land Banking Program." Therefore, the Land Value Appraisal Commission has recently been more co-operative in certifying land banking, much more so than for other M.H.R.C. projects. However, the fear at the Corporation is that this co-operation may not continue if the Land Value Appraisal Commission decides to make a more autonomous stand itself.

M.H.R.C. feels that one of the most prominent conflicts between it and both the Land Acquisition Branch and the Land Value Appraisal Commission; that appraisals are made on the value in the present land market rather than to M.H.R.C. This applies when a parcel may be purchased from an individual owner at either above or below market value. For instance, where M.H.R.C. sees high future

value in a site and is willing to pay a higher than market price just to get this land, but L.V.A.C. would not likely certify this. On the other hand, where M.H.R.C. finds an opportunity to acquire a parcel of land which is priced below the estimated market value, Land Value Appraisal Commission would require the Corporation to pay a higher price to the owner and match the market value. Although there is some valid fear that payment of compensations which differs from market value may "upset the market," there is another appraiser's philosophy that states, "one sale does not a market make." The Manitoba Housing and Renewal Corporation should be given a greater degree of latitude in the price paid for land to include more, "the value to M.H.R.C. rather than necessarily market value." Over time, these high and low elements will tend to level out to market prices.

The Corporation feels, like most other governmental agencies, that expropriation should be used only as a last resort to obtain needed land. Nor does it generally feel that bypassing L.A.B. and L.V.A.C. by purchasing lands from the Manitoba Agricultural Credit Union (exempt from the Land Acquisition Act) would really solve the problem. For the most part, Manitoba Housing feels that it is best to operate within the regulations of the Land Acquisition Act for the present, and try to effect structural changes in the system rather than bypassing it with bandaid measures and temporary gains.

This attitude will only be of any benefit to land banking if M.H.R.C. places continued pressure on government to change the cumbersome machinery of land acquisition.

Although the Corporation recognizes the initial need for secrecy in land assembly and banking, it would like to see a point when all transactions may be completely open to the public. Government could make known its intention to the general public and to private developers that it is in the market to purchase land for future development. The government should not, however, offer any tax incentives to people selling or offering to sell land because this may seem slightly questionable and would not really help the open market on which government should only act as another contender.

Also, the Manitoba Housing and Renewal Corporation would like to see actual negotiations opened between government and the large developers to determine if some of the private land can not simply be purchased from them straight off. No one has ever tried this method before, and it may be that the developers would not be adverse to this idea and might even accept fair market value.

When asked if the Corporation intends to eventually act as the developers of the land presently being banked, the spokesmen and others have indicated the answer to be positive. The Manitoba Housing and Renewal Corporation is empowered to deal with most areas relating to housing and may some day enter into large scale

development of single family and duplex housing, and also multiple housing. This will not likely occur for several years, since few of the presently held land banking sites are ready for development and will likely not be until urbanization stretches into these adjacent, peripheral areas.

Finally, Manitoba Housing would be in favor of a governmental project to establish satellite, or dormitory towns within a 30 mile radius of the Perimeter Highway. In these areas, land could be bought relatively inexpensively, and the entire private developers' land ownership issue could be avoided. This would appear to be at some point in the distant future, although, even if people could be persuaded to move to the new town.

In general, the Manitoba Housing and Renewal Corporation sees major hangups in the present land banking system and would desire a more authoritative and autonomous role in conducting the program. As far as the present system now stands and in the direction it is going, it should be able to exert some impact on the land market in about five years.

### 3. The Land Acquisition Branch

The Land Acquisition Branch was established in the Department of Public Works on July 1, 1965 as a result of the new Land Acquisition Act, Bill 90 of Chapter 43 of the Revised Manitoba Statutes. L.A.B. operates under the Lieutenant Governor in Council

through the Minister of Public Works. Basically, the Land Acquisition Branch has the responsibility of acquiring all land required by the various provincial agencies, with the exceptions of the Manitoba Agricultural Credit Corporation, the Manitoba Development Fund, and the utilities i.e. Manitoba Hydro and Manitoba Telephone Systems.

Under normal conditions, the procedure which the Land Acquisition Branch follows in acquiring needed lands for the Provincial Government is as follows: The Branch receives a formal request from any of the Provincial Departments or directly from the Minister. The request may ask for a specific parcel or else one which will satisfy certain criteria to be found by the Branch. L.A.B. will initiate site location, and attempt to acquire an option to purchase based on mutual agreement. If all parties are satisfied with the terms of the sale, i.e., the vendor, L.A.B., the Provincial Government, and the Land Value Appraisal Commission, then the transaction is made. The Department involved pays the cost of the sale. If, however, an agreement is not reached, the Branch may initiate expropriation procedures. Fortunately, expropriation is rare and is only used in about 5% of all general acquisition cases.

However, when land banking was initiated into Manitoba in October, 1973, many new problems arose in association with Land Acquisition Branch's role in acquiring land. When the first

guidelines for land banking purchases were made at that time, the Minister<sup>1</sup> made the difficult request that "strategic land be bought, checkerboarding Winnipeg." In addition, this had to be done "in secret and in such a manner which did not disturb present land values in the market." To further complicate this, time was an important factor.

This, of course, presented many new, conflicting ideas and problems in how to achieve this end. Some of these were:

- a. how to achieve this checkerboard pattern;
- b. how to do it in secret since legislation required public hearings on all land purchases;
- c. how to do this without disturbing the existing market, knowing inflation may be the result;
- d. how to achieve these in as rapid a time as possible.

"The solutions to these problems have been very difficult, but have, and are being slowly worked out" (Interviewee's comment). The decision of where to buy land has mainly been left up to L.A.B. and M.H.R.C. The required secrecy problem was solved by a decision by the Land Value Appraisal Commission to suspend public hearings when associated with land acquisition for banking. Also, a cover purchasing agent was set up to deal on properties on behalf of the government.

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1. Minister of Urban Affairs, Honourable Saul Miller.

This agency was empowered to act in trust for the government. The initial urgency of time has become less pressing recently but this urgency has allowed the rapid building of the land bank and has also permitted L.A.B. to "cut a lot of red tape in procedural matters."

The Land Acquisition Branch is now able to purchase the desired land banking parcels through its Trust Company. The total time required to act on any parcel is now at a minimum of 30 days (though the average is about 60 to 90 days). This process requires an awareness of the agents on the types of parcels desired which are presently for sale. The vendors of salable parcels go into negotiations indirectly with the Land Acquisition Branch via the Trust Agents. When a price is reached agreeable to both sides (within market values as determined by L.A.B. appraisers), the Branch submits a "request to purchase" the property along with its appraisal report to the Land Value Appraisal Commission. At this time, L.V.A.C. schedules to meet with L.A.B. to discuss the terms of the sale. If the Commission certifies the price asked by the vendor, the Land Acquisition Branch directs the Trust Company to purchase the land in its own name to maintain secrecy. The property then becomes a part of M.H.R.C.'s bank. Usually the procedure is hardly this smooth, propositioning, negotiating, bargaining, filing reports and rejection of the consideration of price often complicate and lengthen the process.

The entire concept of land banking has, in effect, "been dumped into the laps of L.A.B." as well as the other agencies involved. It was very rough going at first, but with the recent changes in the system and with a few more in the future, the Land Acquisition Branch generally feels that Winnipeg's land banking system can be a successful venture within about five years. Continued upkeep of the bank could provide benefits for the next 20 to 50 years. The basic problem facing L.A.B. according to the spokesman is time. In a competitive urban land market with prices increasing regularly, delays of several months may result in higher costs or even sale of the site to another buyer. Therefore, L.A.B. would like to see additional streamlining of the Land Acquisition Branch to help this program. The Land Acquisition Branch feels that it is hindered by the existing system and is losing out in some cases to private enterprise because of it. The Branch should at least have the same opportunities available to it in land assembly that private developers do.

#### 4. Land Value Appraisal Commission

The Land Value Appraisal Commission was established under Part II of the Land Acquisition Act in July, 1965. The Commission is comprised of six members appointed by the Lieutenant-Governor-in-Council, one of whom is delegated Chairman. Since the Commission usually meets only once weekly, most of the members hold other

occupations, in addition to serving on the L.V.A.C. For example, the present membership includes a lawyer, a Department of Health official and a retired member of various municipal councils. These members may or may not have had any previous experience in real estate matters prior to this appointment. This apparently, however, does not impede the Commission's ability to pass judgments on land valuation under the strong direction of the Chairman.

The Land Value Appraisal Commission in effect, acts as a protection agency for both the public and government. When the Land Acquisition Branch and a vendor have tentatively agreed on a land transaction, the Commission normally schedules a public hearing in which the consideration is ruled upon. "This is based on the determination and certification of the amount which represents due compensation in respect to the acquisition of land by the government department or Crown Corporation" (See footnote p. 78). After the case is heard and the terms of sale approved, a certificate is issued directing the Land Acquisition Branch to proceed with the purchase and gain title to the land. This does depend on the final approval by the Management Committee which very seldom overrides the decision.

With respect to land banking, the Land Value Appraisal Commission is generally favorable and has adopted itself, with some modifications, in order to more easily facilitate the process.

For instance, in order to maintain a degree of silence needed for land banking, L.V.A.C. has partially waived the rule of a public hearing to keep the government anonymous as the purchasing agent. There is some concern among other agencies that the Commission is a bottleneck in the assembly of land procedure. This is especially felt to be true in cases where several potential buyers are bargaining with the vendor over one parcel. This criticism does seem at least partially justified because potential land banking sites have been lost to other buyers due to the rather slow land acquisition process. However, the spokesman feels that the Commission "usually operates as efficiently as possible within the existing framework."

Mixed opinion seems to prevail among the Commission members concerning expropriation. It is seen in a wide spectrum from "being a useful tool for land assembly" to being a "synonymous term with confiscation." In any case, L.V.A.C. seems hesitant towards L.A.B.'s use of expropriation except where it is absolutely necessary.

The Land Value Appraisal Commission does offer several restraints to land banking. The Commission has become more liberal and accommodating toward the program lately though. There are indications that this favorable new attitude toward land banking is due in part to direct governmental pressure upon the Commission to "get these sites certified" (See Chart IV, Pressure). The

Land Value Appraisal Commission again feels it is doing the best possible in a difficult situation. Surprisingly, it has been stated that some Commission members even feel the M.H.R.C. should assume the entire power to decide on matters of land acquisition on its own. This would greatly facilitate land banking, but such a drastic move would be very unexpected.

The Commission is very aware of the principle that surrounding market values are very sensitive to the price changes of any given parcel. This means that over or under payment for any parcel by the government may affect many adjoining properties. Even though the L.V.A.C. has given some leniency toward the future worth of a site to the land bank, it has adhered fairly closely to the principle of "fair present day value," regardless of its future social value.

The Land Value Appraisal Commission feels that much more land could be assembled than presently is under the closed door policy if the Manitoba Housing and Renewal Corporation possibly advertised its need for prospective land acquisitions. It could then select from the best parcels and bank them. "This would admittedly cause vendors to ask for maximum prices," the spokesman added however. "But negotiations would be just as beneficial in open arenas as in the closed system." Hopefully, such a system may evolve once the initial bank has been established.

## 5. Central Mortgage and Housing Corporation

Although funds have technically been available from C.M.H.C. enabling land banking since the late 1940's, only in the past few years have changes occurred which have really made land banking feasible. These have been made through Section 40 and 42 of the National Housing Act. These amendments have been described in detail in Chapter III.

The Central Mortgage and Housing Corporation views the use of land banking as a means of acquiring land more cheaply through the public sector than could be obtained through the private one. It is willing to offer 90% funding of the total land costs, repayable on an 10% annual interest rate which is lower than the current prime lending rate of about 12%. The only basic criteria which C.M.H.C. requests, is that this funding be within the constraints of its own budget and that the requesting of funds be made through the Municipal or Provincial Authorities.

It is important to note that Central Mortgage and Housing Corporation acts in the role of the banker, lending money to the Provincial and Local Governments for land banking and housing purposes and places few other stipulations on the money within these guidelines. Government has the right to select nearly any properties or means of using the money for these purposes as it sees fit without C.M.H.C. entering into the actual, specific, policy matters.

In addition, Central Mortgage and Housing Corporation recognizes that the incidental aspects of a neighborhood such as small parks, schools, churches, and even commercial areas which are usually associated with residential areas may be built on land banking properties, and thus eligible for funding. This is an important planning aspect.

Land which is assembled with the intent of being distributed under the leasehold program may have a fund repayment term period of up to 50 years. Other assembled lands may have a holding repayment period of 25 years within the terms of the specific agreement. Another important aspect of the legislation is that included in the loan costs are monies available for planning, design, and service installations. These installations may be done in stages which could be initiated on the basis of need. This opens the door and is generally without encumbrances for governments to start land banking programs.

When asked if Central Mortgage would condone the Manitoba Housing and Renewal Corporation's eventually entering the housing market on a large scale, and other government agencies possibly doing the servicing in an attempt to reduce total costs, the reply was to "wait and see." "Although little data exists in this area, it has often been the case that government can not operate as cheaply and efficiently as private enterprise because of the profit motive."\*

\*(However, this cannot be documented either way at this point)

will have to wait and see.

On the whole question of housing in general, costs are very much interrelated. Big developers on one hand are holding and assembling land, but they are also developing it and returning a large amount of capital to the community in the form of payments. On the other hand, at least as far as government housing development is concerned, could government operate as effectively as private enterprise and are subsidies the answer in the end? The answer is very complex. The Central Mortgage and Housing Corporation sees its ever increasing role in housing as primarily a means by which more equivalent factors of market may evolve. The ideal answer would be a more open, free, and competitive market. This is one of the ends that the Central Mortgage and Housing Corporation sees itself involved in, "aiding governments to act as additional participants in the housing market."

#### 6. The Land Review Committee

(Based on the Manitoba Housing and Renewal Corporation's Land Review Committee Minutes of Proceedings)

The Land Review Committee was created in November, 1973, for the purpose of policing and expediting the Land Banking Program. Attending the L.R.C. meetings are representatives from the Manitoba Housing and Renewal Corporation, Land Acquisition Branch, Central Mortgage and Housing Corporation and City of Winnipeg. "The intent

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of "Land Review Committee" is to obtain a maximum degree of condensation of information concerning the parcels of land being considered for purchase." The L.R.C. acts as "a joint committee meeting regularly to discuss the strategy and all other matters dealing with the proposed massive Land Banking Program."<sup>1</sup> The Land Review Committee has been moderately successful to date in reducing the time and processing necessary to follow the process of acquiring land for the bank. In effect, the committee acts as an early forum for the agencies to present their views on each particular parcel as well as the progress of the Land Banking Program in general. It acts as a general information source among the involved agencies.

#### 7. Management Committee of Cabinet

"Officially, Management Committee rules (on the worthiness) of all (provincial government) expenditures exceeding \$25,000, i.e., almost all of M.H.R.C.'s dealings."<sup>2</sup> It gives the final approval to almost all financial matters in government. Under the present Land Banking Program, the Provincial Government has directed that Management Committee give "blanket approval" to most M.H.R.C. land banking expenditures. This was partly due to the urgency of the

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1. C.M.H.C. Representative November, 1973.

2. Fedoruk, Frank Social Democracy and Public Housing in Manitoba, Problems and Prospectives pp. 78-86.

program as well as the fact that Central Mortgage and Housing Corporation to a large extent controls most of the aspects of funding. So, Management Committee functions in form only, in respect to land banking. Management Committee is able to act as a check and balance in the process and could initiate an investigation if it felt that mismanagement has occurred in the program.

#### 8. The City of Winnipeg

In June 1974, it was announced to the surprise of nearly everyone, that the City of Winnipeg intended to begin land bank acquisitions on its own. "C.M.H.C. has granted the City \$10.3 million dollars to assemble approximately 2500 acres in the Fort Garry, St. Vital and St. Boniface areas of Southern Winnipeg."<sup>1</sup> It was further announced that the acquisition of the land would be done through expropriation.

Prior to this very little indication had existed that the City was considering such an active move. Even the Land Review Committee, which discusses parcels of land for M.H.R.C.'s land bank, had only heard unofficial rumors that the City would attempt a land banking program.

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1. The Winnipeg Free Press, (Bidwell, F.) Land Banking Okayed W.F.P. June 20, 1974, P. 1.

Even to date, several months after the City had announced its plans to acquire the properties, little more is known about their intentions. Only in late August, 1974, the measures to begin the expropriation process had been started. The City claims that this is due to a legal delay and the lands will be soon acquired. In any case, the two month period between the announcement of the move and the start of actual expropriations have allowed land values to escalate in the areas. Some instances of speculation have also been noted. There is little question that the lands will be of great value to a city wide land bank but because of expropriation, a very high price will have to be paid for the properties.

#### C. Conflicting Roles and Inefficiencies

Probably the most fundamental problem involved with the present Land Banking Program is Manitoba Housing's basic lack of power in the entire land acquisition process. A great deal of time is consumed as the land which M.H.R.C. desires for its bank is located, appraised, negotiated, decided upon, and finally purchased by other government agencies. Presently the Manitoba Housing and Renewal Corporation is forced to act mainly as an occasional advisor, bystander, and record keeper throughout much of the proceedings. The present structure does not permit M.H.R.C. to act directly in the land acquisition process.

Another related problem is the extreme rigidity and cumbersome-ness of the associated land purchasing machinery. The result is a lengthy period of time between the initial location of sites to the final purchase of them. Each agency must, in effect, wait its turn and follow its own procedure in dealing with the property as it proceeds step by step down the line. If each agency could fulfill its role as much as possible before its stage is reached, waiting time could be substantially reduced. For example, before the Land Value Appraisal Commission will set a time for hearings on a parcel, it requires the Land Acquisition Branch to submit both a "Request for a Hearing" and the "Appraisal Report." The Land Value Appraisal Commission usually sets the meeting for one week after this time. If, however, Land Acquisition Branch were permitted to submit its appraisal report on the day of the hearing, one week could be eliminated from the total time period.

This leads to another major problem, the seemingly continuous bottleneck created by the Land Value Appraisal Commission. It is L.A.B.'s job to appraise the site and trained staff also conduct negotiation. However, L.V.A.C. in the end has the right to judge if the proper "due compensation" for the land has been made. Thus, in effect, the Commission's appointed members, many of whom have had no formal land economics training, have the final say over the Land Acquisition Branch's trained staff as to what is the true market value!

It seems that the Manitoba Housing and Renewal Corporation's

land banking program is very much left to the wills of L.A.B., L.V.A.C. and the other agencies involved. These agencies' interests and energies for the program appear to be directly proportional to governments' pressure placed upon them to enable the program to proceed in a half-hearted way.

#### D. Proposals

There are many widely varied proposals and opinions on how to expedite the Land Banking Program. Basically, these may be grouped into three main categories: these are, Exclusion of the Manitoba Housing and Renewal Corporation from the Land Acquisition Act, Continued Inclusion of M.H.R.C. under the L.A.A. with Modifications and a General Proposal category which is common to the first two groups. This paper recommends the former, to give Manitoba Housing the necessary power, control and autonomy to operate a comprehensive Land Banking Program on its own. The second form, probably more desirable to the Provincial Government, could still offer substantial improvements to Land Banking.

##### 1. Exclusion of the Manitoba Housing and Renewal Corporation from the Land Acquisition Act

- a. Since the Manitoba Agricultural Credit Corporation and the Manitoba Development Fund are exempted from the Land Acquisition Act lands could be bought in their name and transferred to M.H.R.C. This could be legally done in

theory and would avoid the Land Acquisition Branch. However, M.H.R.C. has indicated unofficially that they would be skeptical of such an action since it only side steps around the L.A.A., is temporary in nature and may be unethical. The Corporation would rather attempt to affect real structural changes.

- b. The establishment of a Land Acquisition Committee within Manitoba Housing to deal with all phases of Corporation land purchases. This would involve a total exemption from the Land Acquisition Act. Since one of the biggest components of any Housing Authority is the purchase of land, M.H.R.C. should be entitled to operate all aspects of locating, appraising, negotiating, and acquisition on its own. M.H.R.C. deals specifically with residential housing and land and therefore does not require the Land Acquisition Branch to make decisions for it on what to buy.

The Land Acquisition Committee should be completely contained within the Corporation and be comprised of a competent staff with the expertise to conduct land acquisitions. The Committee may be made up of persons proficient in real estate, economy, urban planning, pertinent legal matters, administrative staff, and others. The Land Acquisition Branch should function in an advisory capacity only. This possibility is presently being actively explored by the Manitoba Housing and Renewal Corporation.

2. The Continued Inclusion of Manitoba Housing and Renewal Corporation in the Land Acquisition Act with Structural Modifications.

- a. Probably, the most important and necessary change in the Land Acquisition Act to facilitate land banking deals with the Land Value Appraisal Commission. As far as land banking acquisitions are concerned, L.V.A.C. is simply dead weight and serves little justifiable end. Its basic function in other forms of land acquisition, the public hearing, has been waived for land banking. Usually the Land Value Appraisal Commission accepts the value for the property which the Land Acquisition Branch recommends. Therefore, to help enable land banking, L.V.A.C. should be either eliminated completely, or its duties be assumed by the Land Acquisition Branch and the Land Value Appraisal Commission be directed to give blanket approval in land banking acquisitions.
- b. The role of the Land Review Committee could be expanded from a general information body to an amalgamation of agencies with the power to conduct the major phases of land banking (See Chart V). After early consideration of the parcel, agencies within the Land Review Committee could then proceed with their individual functions on the parcel while negotiations progress in preparation for the

final L.R.C. consideration and approval of purchase. At this point, the parcel may be simply accepted or rejected.

### 3. General Proposals

To expedite the M.H.R.C. Land Banking Program, the following general proposals are recommended:

- a. Rationalizing service operations and installations. This may be achieved with only minor legislation changes and could be administered through a provincial agency responsible for ensuring adequate standards at the local government level.<sup>1</sup>
- b. Regulations on speculative ownership of land through taxation based on betterment.
- c. Encourage land owners of potentially good land banking sites to offer government the option to buy when they choose to sell.
- d. Extend and strengthen L.A.B.'s power to place "options to purchase" and pay over time.
- e. Creation of "Satellite Communities" around Winnipeg to avoid the entire problem of lands owned by developers and speculators.
- f. Government simply purchase the lands held by one of the "big four" developers.

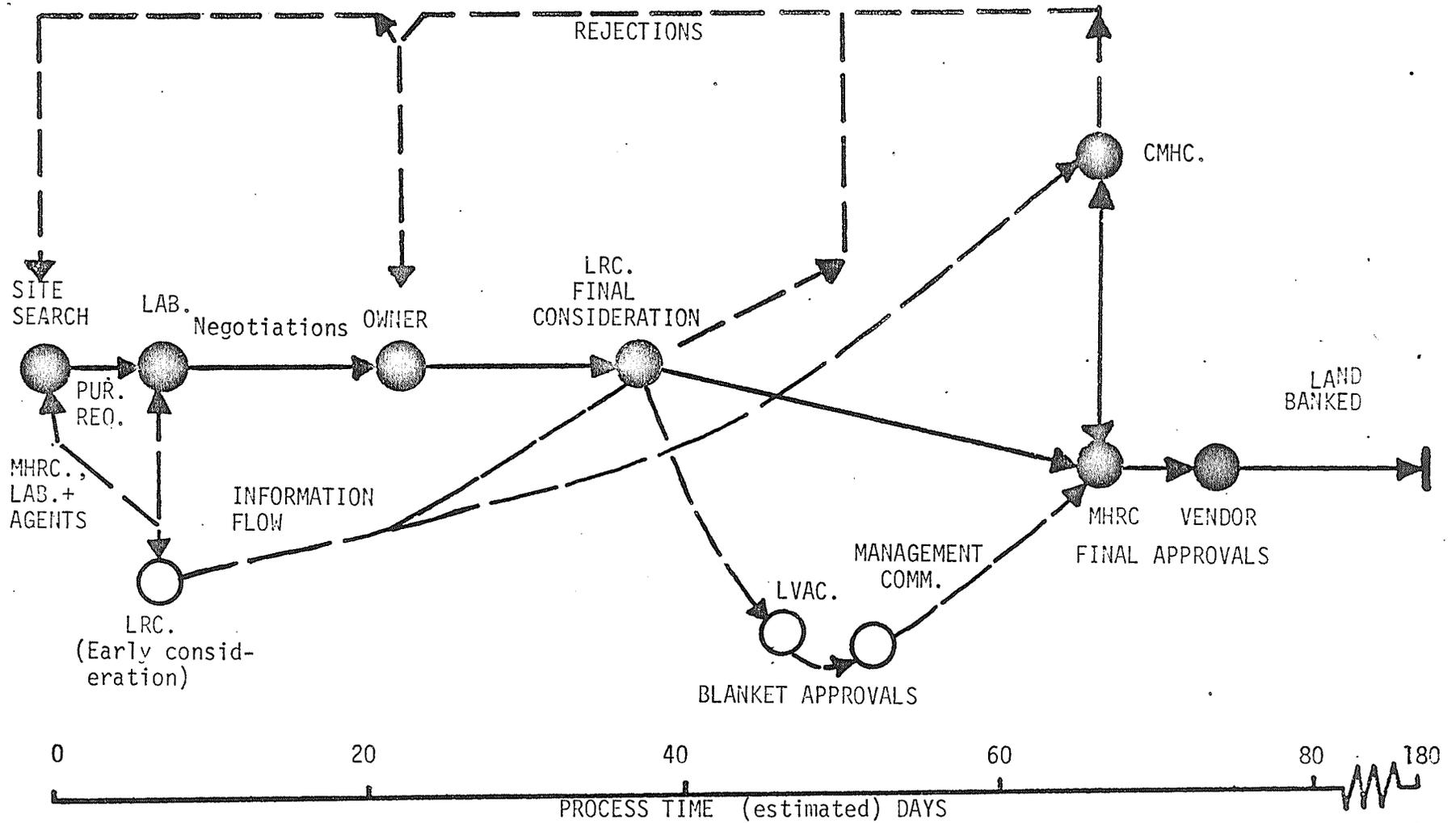
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1. P.S.C. Guidelines for the Seventies (See Footnote, p. 83)

- g. Assume selective expropriations of needed land.
- h. Public information procedures to show the benefits of land banking and the detriments of speculation.
- i. Permit the Land Acquisition Branch to submit its appraisal report on the day of or soon before the Land Value Appraisal Commission hearing.
- j. Empower the Manitoba Housing and Renewal Corporation to directly pursue potential parcels, thus aiding the Land Acquisition Branch in the search.
- k. Allow payment through bonds and debentures.
- l. Expand M.H.R.C.'s and L.A.B.'s staff to speed the process and bring new expertise into the Land Banking Program.
- m. Allow the Land Acquisition Branch greater latitude in the area of what is market value, allow the right of first refusal for the future value of land to society.

PROPOSALS FOR MHRC's LAND BANKING PROCESS

CHART V.



## CHAPTER V

### Specific Application; Implementation of Land Banking in Winnipeg

#### A. The Present Pattern of Land Ownership

To better evaluate the market impact that the Manitoba Housing and Renewal Corporation's existing land bank will exert, an examination of the present pattern of land ownership will be made. During the past fifteen years, private developers have been assembling large tracts of properties which would be used for later residential development, i.e., private land banking. Four large private corporations now own the greatest proportion of lands needed for future residential development in Winnipeg. These "Big Four" land holders are B.A.C.M., Qualico, Metropolitan Homes and Ladco.

Until recently, these developers had virtual control of the residential land market and had only to contend with each other in buying land. However, competition among these companies was minimal as each would respect the others right to assemble properties in certain areas of the city. The developers have made very good bargains during the past years on some parcels such as B.A.C.M.'s purchase of land in Charleswood in 1969 for about \$400/acre. However, private developers are presently finding the acquisition of lands more difficult. This is because the Manitoba

Housing and Renewal Corporation has now purchased properties of similar type and quantity, and also because the ownership patterns of land required for future residential development have largely solidified. The following table gives a breakdown of property ownership by the "Big Four" developers in the various suburban areas of Winnipeg.

BIG FOUR LAND HOLDINGS<sup>1</sup>

	<u>BACM</u>	<u>METRO PROPERTY</u>	<u>QUALICO</u>	<u>LADCO</u>	<u>TOTAL</u>
St. James	672	-	359	927	1958
Lord Selkirk	-	174	-	-	174
West Kildonan	750	160	-	-	910
East Kildonan	839	76	107	-	1022
Transcona	220	330	288	-	838
St. Boniface	-	543	-	567	1110
St. Vital	-	200	767	-	967
Fort Garry	-	26	155	847	1028
Assiniboine Park	<u>1490</u>	<u>-</u>	<u>471</u>	<u>-</u>	<u>1961</u>
TOTAL	3971	1509	2147	2341	9968

When the land holdings of smaller developers and real estate companies are added the total amount would exceed 10,000 acres.

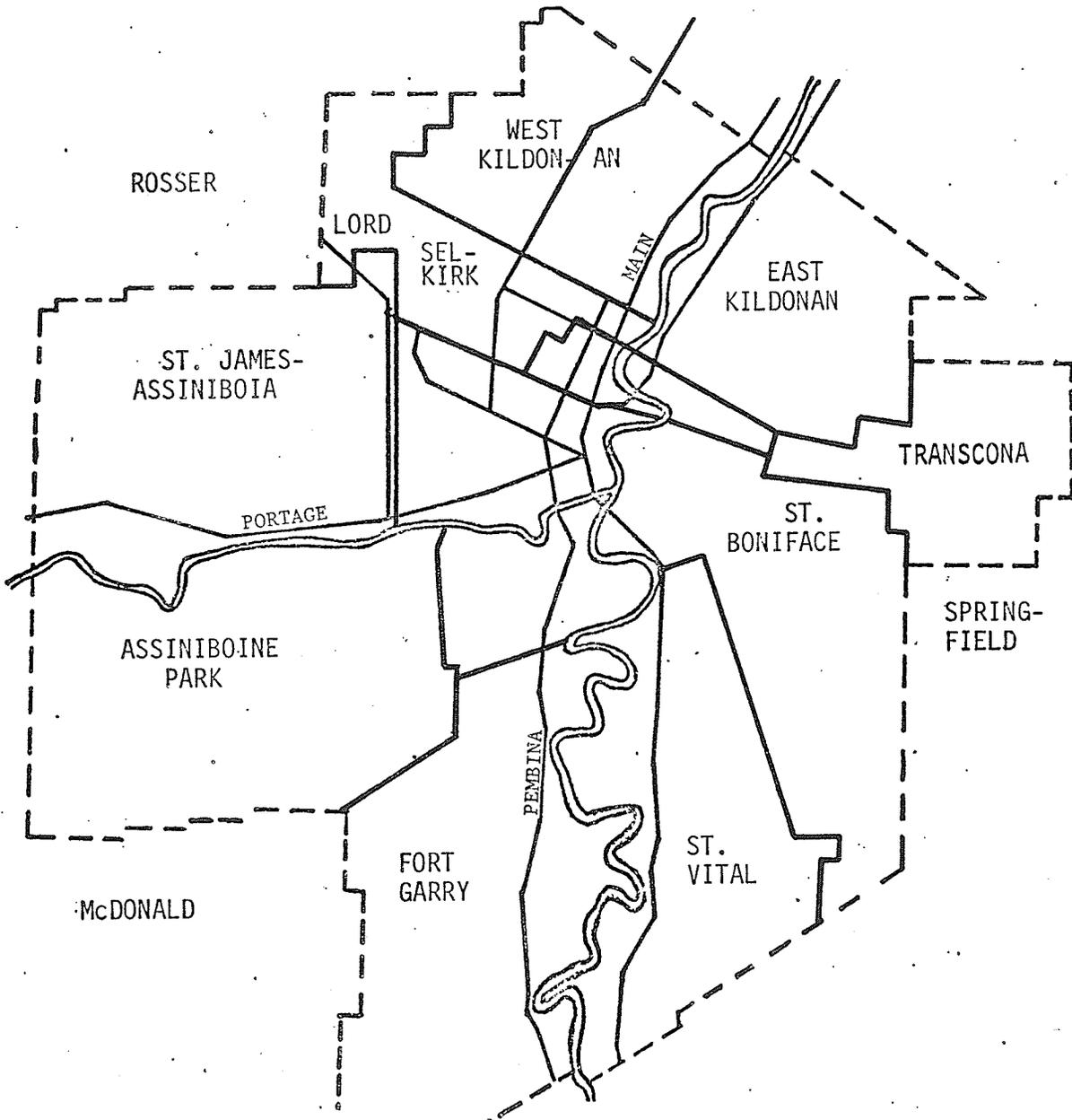
These various suburban areas may be located through the use of the following Chart VI A.

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1. From search of City of Winnipeg and Municipal Assessment Branch Records.

THE POLITICAL BOUNDARIES  
OF WINNIPEG

CHART VI A



The table giving the amount of "prime residential" land held by the "Big Four" developers in each of the suburban areas of Winnipeg, indicates that they presently hold almost 10,000 acres. Virtually all of these lands are anticipated to be required for urban development within the next fifteen years. Chart VI B graphically illustrates the approximate size and location of these properties.

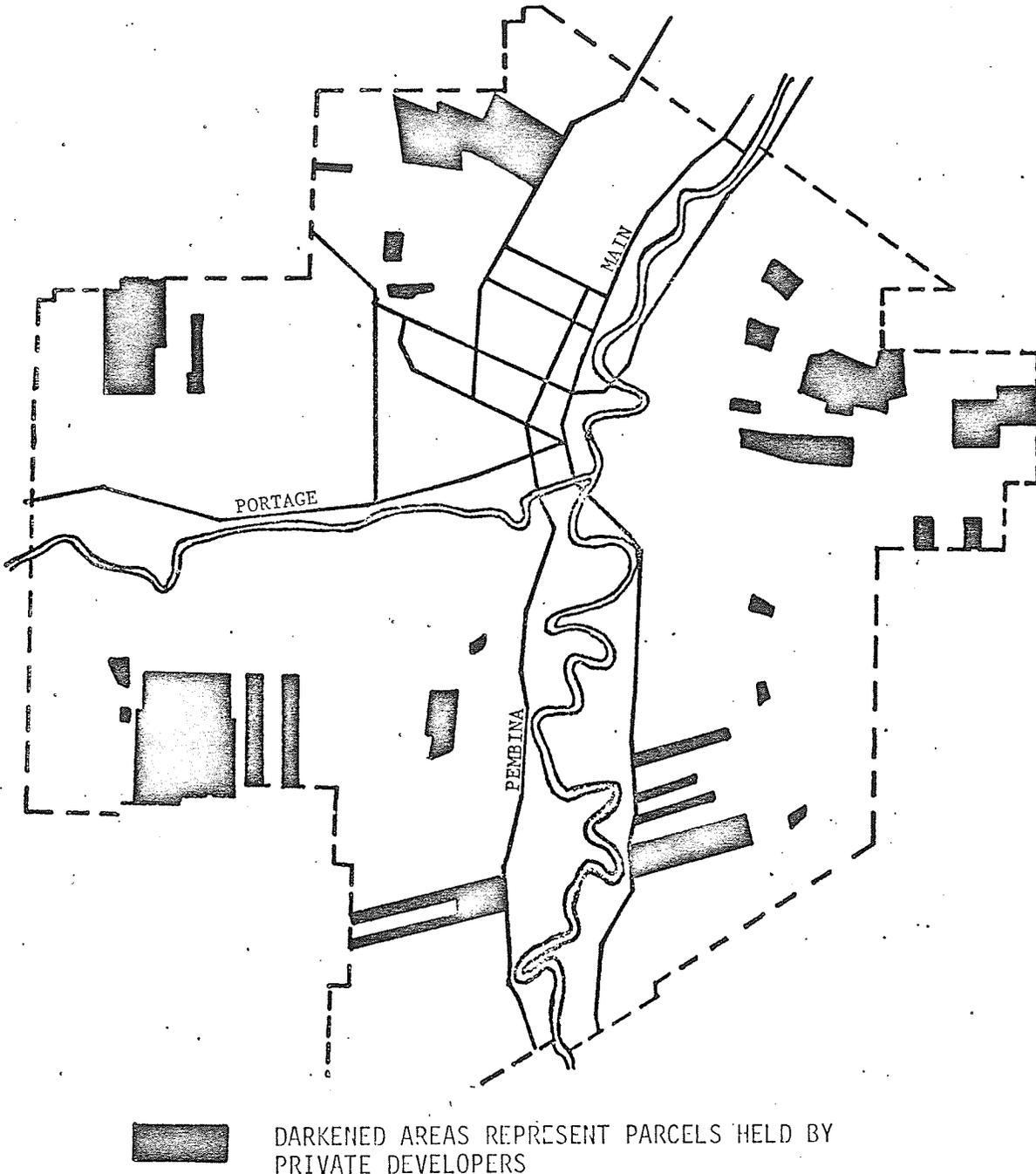
Currently, Winnipeg requires about 3500 new lots for residential development annually.<sup>1</sup> This converts to an excess of 800 acres of new residential development yearly. Assuming that this rate of residential land consumption will continue over the next 15 years, about 12,000 total acres of new land will be needed. (It is assumed that this 800 acre/year is for mainly residential use only and will remain constant because trends toward faster urban growth rates may be offset by the recent trend toward higher urban densities.)

Thus it is evident that, of the approximate 12,000 acres needed for residential development in the next 15 years, the Big Four developers already own 10,000 acres or over 80% of the total market. These holdings put the developers in a very favorable position of being able to supply large quantities of the land required for future residential development in Winnipeg. Faced with these large holdings by private developers, the possible impact that the Manitoba Housing and Renewal Corporation's land bank may exert on the land market will be evaluated in the following section.

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1. From search of Assessment Records

LANDS OWNED BY THE FOUR LARGEST PRIVATE  
DEVELOPERS IN WINNIPEG \*



B. The Present Effectiveness of the Manitoba Housing and Renewal Corporation's Land Bank

In mid November, 1974, the Manitoba Housing and Renewal Corporation has assembled a total of 3200 acres of land in its land bank. M.H.R.C. is now second only to B.A.C.M.'s 4000 acres in the amount of total land held. These M.H.R.C. properties are scattered around the undeveloped fringe of Winnipeg in much the same manner as the private developers have located and acquired properties. However, the location of these properties can not be specifically shown. So from the present pattern of public and private ownership, some evaluation as to the present effectiveness of the Manitoba Housing and Renewal Corporation's Land Bank can be made.

It may be reasonably well assumed that all properties, both public and private will be suitable for residential development at some time in the future. Also, it is likely that all or the greatest proportion of these properties will be required for urban development within the next fifteen years, or almost certainly within the next twenty years. If the Manitoba Housing and Renewal Corporation presently owns about 3200 acres of property and the developers an additional 10,000 acres, it is clear that the Manitoba Housing and Renewal Corporation presently controls about 24% of the total 13,200 acres of land presently being held for future development. This acreage represents the greatest proportion of all new residential lands needed until about 1988. Based on the theory

that 20% land ownership will begin to have an effect on controlling the urban land market, the Manitoba Housing and Renewal Corporation is now in the position of being able to exert a future impact as a large property owner. Also, because the public land bank produced lots may be priced about 15% to 20% below the similar lots developed by private enterprise, M.H.R.C. will even have a greater effect on the controlling market. Therefore, considering all factors involved of land banking theory, the present Winnipeg market conditions and the quality and size of the Manitoba Housing and Renewal Corporation's Land Bank, the present effectiveness of the current land banking program may be rated as moderate to moderately high. That is, the success in achieving the goals of land banking may be considered at least moderately well completed.

This statement concerning the anticipated levels of future success which the Manitoba Housing and Renewal Corporation's Land Bank is expected to achieve is based on the following criteria, (this is from an analysis of the actual parcels, the locations of which must remain secret.)

- a. Total size of the land bank. As mentioned the Manitoba Housing and Renewal Corporation now ranks second behind B.A.C.M. in total holdings for future residential development. This represents about one quarter of all the lands held by the big developers.

- b. Location in proximity to development. On the short term, 1 to 4 years, land from the bank will be ready for development in three areas of the City. Although this represents only about 15% of the total Winnipeg land requirement, it will exert a moderate impact. As time progresses the impact will rapidly increase.
- c. Proximity to necessary infrastructure. The majority of the land banked parcels have been chosen with regards to available necessary infrastructure, i.e., schools, servicing, highways, etc.
- d. The ability to continue acquisitions and to improve the quality of the land bank over time.
- e. The capability to maintain and continue the program and be instrumental to the actual development of the properties.

To further show this degree of success, an evaluation of future levels of land-market control, by community, will be made of M.H.R.C.'s present land bank. This information (contained in Chart VII), shows the percentage of the lands for future residential use by M.H.R.C. and the big four developers by area. To determine the level of market control which M.H.R.C.'s ownerships may create, some additional increment such as about 10% may be added to M.H.R.C.'s figures. This is based on the concept that a property which undersells similar ones will have a greater demand and thus exert some market controls.

The following table shows the total acreage and percent ownership of prime future residential properties by the developers and M.H.R.C. in Winnipeg, by period of anticipated development.

<u>PERIOD</u>	<u>PRIVATE DEVELOPERS</u>		<u>M.H.R.C.</u>	
1974-1978	4250	83%	850	17%
1979-1983	2000	56%	1550	44%
1984-1988	3750	83%	750	17%
TOTAL	10,000	76%	3200	24%

So for example, as the land ownership situation presently stands, during the period 1974 to 1978, the Manitoba Housing and Renewal Corporation could be able to supply about 850 acres of land or 17% of the expected demand for residential land. However, whether the combined holdings of both public and private land banks will be fully needed for the period will have to wait to be seen.

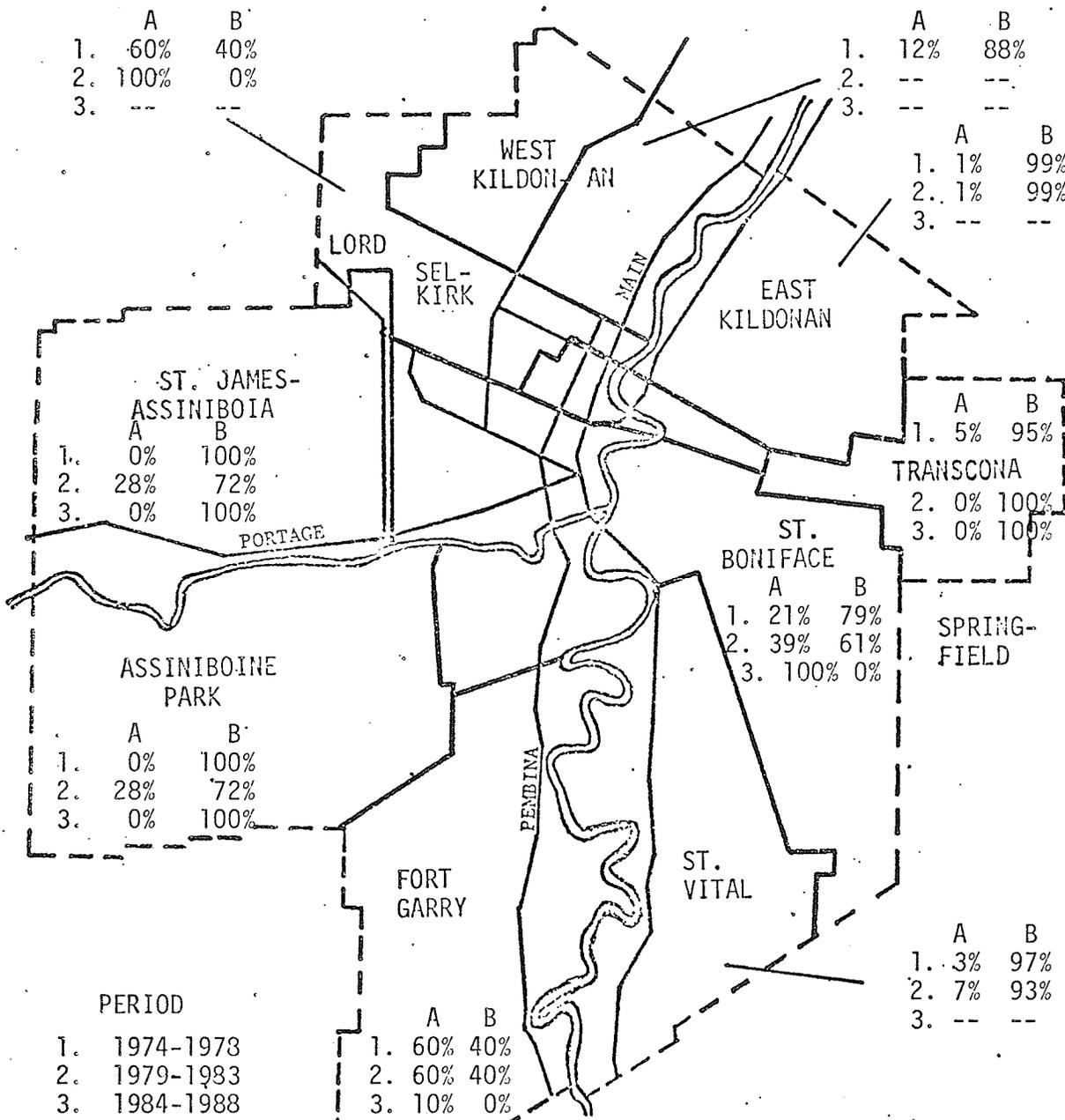
Thus, the Manitoba Housing and Renewal Corporation's present Land Bank will exert an influence on the residential land market, especially during the median range period, 1979-1983.

However, this land bank is still growing. An examination of where it will go from here will follow.

CHART VII

ANTICIPATED LEVEL OF FUTURE RESIDENTIAL  
LAND MARKET CONTROL

(Based on present M.H.R.C. and Big 4 Developers Land Holdings)



%=the level of present control of anticipated future markets  
 A=percent now held by M.H.R.C.  
 B=percent now held by the big four developers  
 --=no land presently held by either M.H.R.C. or developers

C. Future Projected Effectiveness of Governmental Land Banks.

All indications are that Central Mortgage and Housing Corporation and the province will continue to fund land banking acquisitions, at least for the next few years. It is very likely that Manitoba Housing's Land Bank will continue to expand in the future. Unofficially, M.H.R.C. would desire to eventually own about 40% to 50% of all prime residential properties around Winnipeg. It also feels that this goal may possibly be reached by as soon as late 1978. The following table gives an account of the amounts of new acreage which are expected to be purchased annually to achieve this 40% to 50% ownership goal.

<u>NEW LANDS NEEDED</u>	<u>TOTAL SIZE OF LAND BANK</u>	<u>EXPECTED DATE</u>	<u>% MARKET OWNERSHIP</u>
~	3200	end 1974	24%
2500	5700	end 1975	33%
1000	6700	end 1976	37%
800	7500	end 1977	42%
500	8000	end 1978	45%

If this level is eventually reached the Manitoba Housing and Renewal Corporation and the City of Winnipeg, (which is starting its own land bank) will have a very strong standing among the developers in the ownership and supplying of the required residential lands.

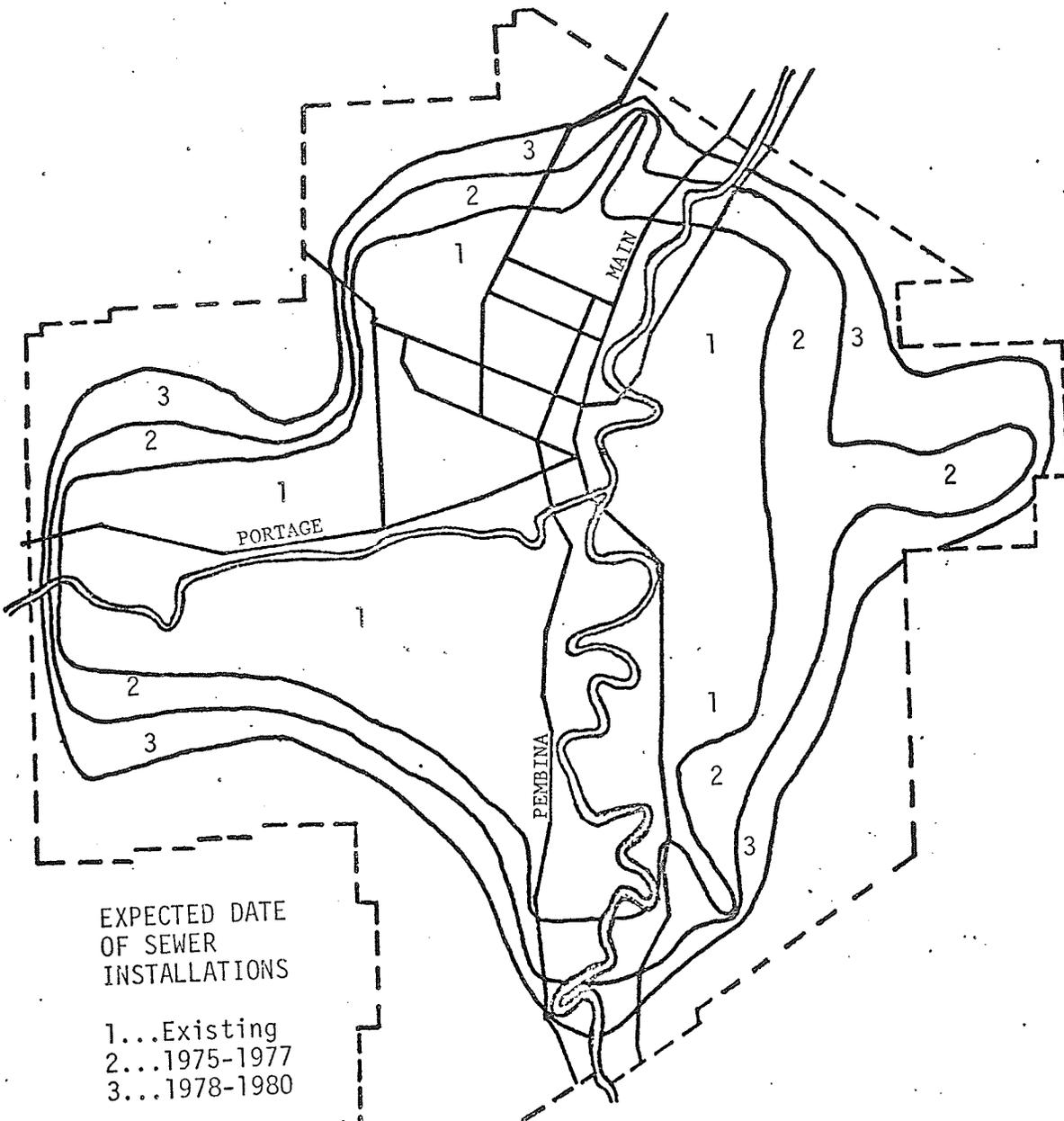
The urban conditions are such that M.H.R.C. may begin development of some of land banked parcels as early as mid 1975. Development of parcels should be timed to meet residential land demand and also to correspond to the rate of new service installations. Chart VIII indicates the anticipated progress of the Winnipeg area sewer installations.

Chart IX shows the rate of anticipated urban expansion for Winnipeg. Since most of M.H.R.C.'s land banked properties fall within these zones of future development, an estimation may be made as to the general utilization of the parcels in relation to the expected growth of Winnipeg.

It now appears definite that greater and greater numbers of homes will be built upon governmentally assembled land bank lands in the future.

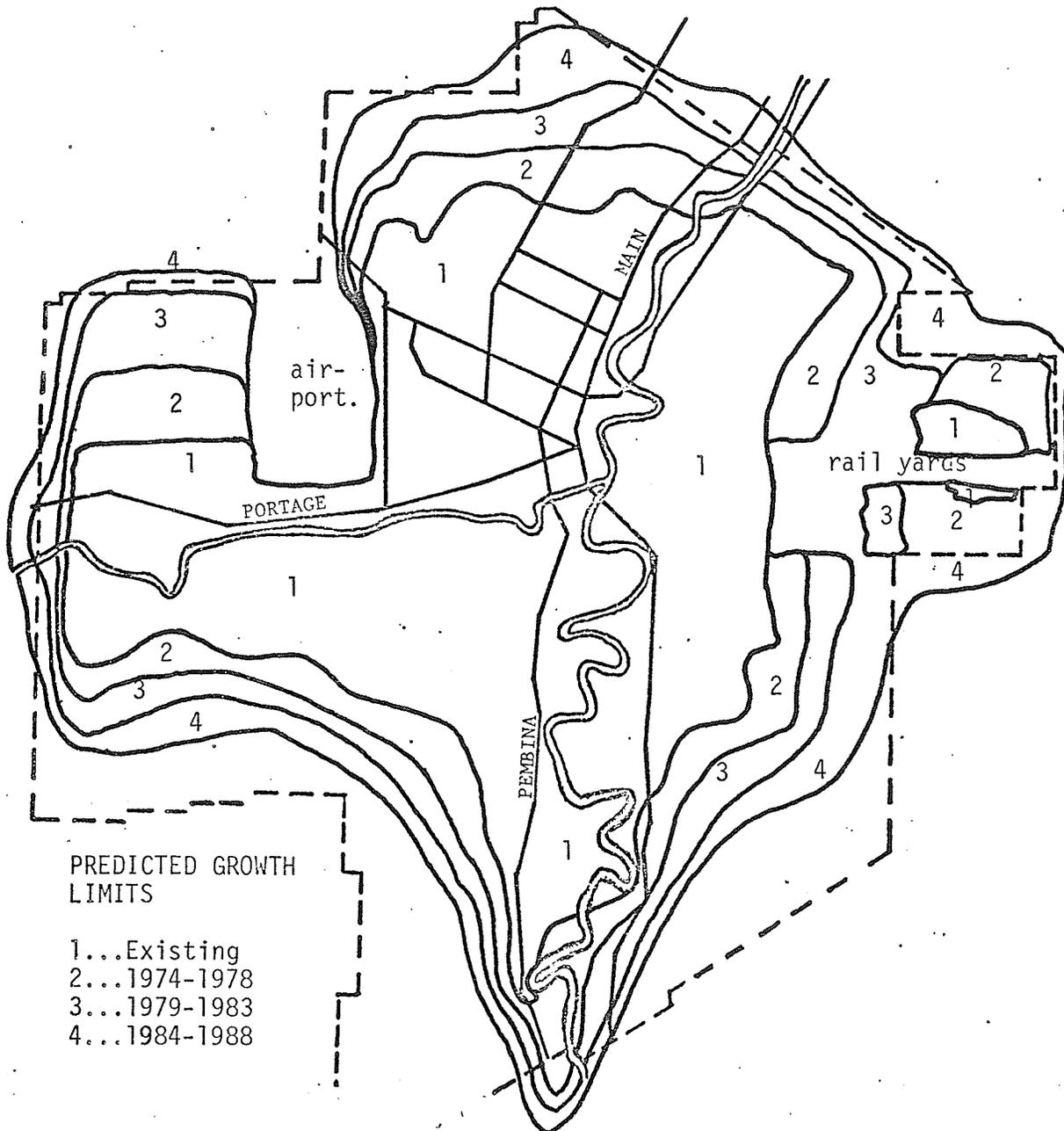
ANTICIPATED PROGRESS\*  
OF SEWER INSTALLATIONS

CHART VIII.



RATE OF FUTURE URBAN  
EXPANSION FOR WINNIPEG

CHART IX.



PREDICTED GROWTH  
LIMITS

- 1...Existing
- 2...1974-1978
- 3...1979-1983
- 4...1984-1988

## VI. Conclusions and Recommendations

Many of the problems arising out of the urbanization process, such as skyrocketing land prices, rampant land speculation, rapidly rising servicing costs, the premature conversion of prime agricultural land for urban use and the general rate of unstructured development, are largely a result of the inefficient means of land assembly and development as well as a scarcity of urban land. It seems difficult to comprehend why this scarcity should exist when large tracts of unused land surrounding most North American cities are prime for development. The supply of land should be staged for development as a city's demand for it evolves. However, in reality the present scarcity of land is largely artificially created through land speculation and poor development practices. It would not be fair to claim that the present urban land situation exists solely because speculators on the urban fringe have held out selling their properties in a move to drive the market and land prices up. However, the high prices and scarce lands which are presently the case in most urban fringes have, to a large extent, resulted from the tradition that land is a commodity for individual profit rather than a social resource. To further compound the problem, developers who eventually acquire the properties have often employed ineffective means of land assembly and development. They assemble and develop properties on a very limited scale basis without considering the requirements of the city as a whole.

Land banking is the large scale, public assembly of property well in advance of urbanization. This form of government land acquisition can act as a means of solving, or at least alleviating, many of the problems facing the urban growth process. The three primary goals of land banking are;

- a. to provide an adequate supply of land for housing;
- b. to promote a more uniform and controlled urban environment, and
- c. to limit land speculation and promote a more equitable distribution of profits.

Although the actual concept of land banking is rather recent and little actual data exists as to its level of success in origin, the concept is expected to work reasonably well in practice. In the experience of existing programs around Canada such as in Saskatoon and Edmonton, land banking did successfully help to varying degrees, achieve the three stated goals. Land prices have been reduced by about one-fifth of what private developers would charge for a comparable parcel of land. And also, both experiences have obtained uniform development within the land banked areas.

Once government has established an adequately sized land bank around the city, properties can be processed to correspond to the local demand for residential lots. Development of the lands can be staged to provide the required amount of serviced land for the market for any given year to the limits of the land bank. Planning

can be conducted on a large scale basis with the provision of land for all necessary infrastructure associated with residential development.

The criteria for a comprehensive land banking program may vary in detail from experience to experience. This can only be determined by the range, form and means of implementation that land banking authorities may assume for the program. However, the same basis criteria and general structuring may be found common to most experiences. These are that;

- a. Land Banking should be formulated within the context of local urbanization. This will allow the program to adopt to land market conditions and nature of urban growth.
- b. All levels and agencies of government involved should strive to form a maximum co-ordinative effort. An open information flow among all agencies involved will help to promote a more efficient system by defining roles, prevent overlapping, and reduce delays.
- c. Comprehensive Needs Data. This is a necessary systems input to determine the demand for urban residential land. Comprehensive needs data may be obtained from a complex of socio-economic and physical conditions information such as income levels, housing stock quality rate of growth and land market characteristics. The needs data in return may be used to determine the size and time staging characteristics of the land bank.

- d. Clear Planning Objectives. This will greatly aid the land banking program by acting as a guide for implementation and by foreseeing potential problems before they occur. Proper planning should be conducted at all stages of the program from the initial acquisition through disposition of the serviced lots.
- e. Establishing a potent and adaptable methodology will act as the blueprint for the program. This methodology should be comprehensive and stable but yet flexible enough to adapt to new circumstances that may arise.
- f. Policy formulation. Finally a policy can be made incorporating the intended goals of the project with the needs and nature of local urbanization. The policy must provide the framework for which the land banking can adequately operate within.

From these criteria, the basis for an effective and operatable land banking policy may be formulated to initiate and conduct the program.

Land banking is presently being carried on in Manitoba, apparently with at least moderate success based on the size and location of the parcels. The present program is a subsequent attempt to the former 1971 Land Assembly Program which was unsuccessful. That experience failed for two main reasons, first because the enabling legislation was very limited in scope and context and also because of the limited methodology, staff size and capacity of the Manitoba

Housing and Renewal Corporation which administered the program.

The present program has assembled over 3200 acres of land around the City of Winnipeg which comprises about 24% of the urban land market. The quality of parcels indicate that they may range in suitability for development between two and twenty years in the future. However, the short term impact of the parcels on the market does not appear to be great. The Manitoba Housing and Renewal Corporation intends to expand this land bank until they have approximately 40% to 50% ownership of the prime residential development lands. All indications seem to be that this land bank could possibly reach its intended level of success in about 8-12 years and hopefully be able to exert a noticable impact within up to two years on the market. However, it is recommended that a more specific policy for the eventual development of lands be outlined. The idea that a policy will be formulated when needed at a later time, may lead to many problems in the development stage.

Finally, now that an initial land bank has been established, the Manitoba Housing and Renewal Corporation and the Provincial Government should make continued efforts toward increasing the quality of the lands within the bank and improving the efficiency of the program's administration. New lands should continually be added to the bank which will increase its chances of being successfully self-sustaining. If these efforts are made by government, the future of the Manitoba Land Banking Experience will very likely achieve all or the majority of the original goals and objectives established for the program.

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