Agenda - Executive Policy Committee - November 29, 2006

Report - Standing Policy Committee on Property and Development - November 14, 2006

Item No. 7 Policy - Offers to Purchase City-Owned Property
File FI-2.1

STANDING COMMITTEE RECOMMENDATION:

On November 14, 2006, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submits the following to Council:

1. That the policy recommendations for processing offers to purchase City-owned property be adopted as outlined in Schedule "A" to the report from the Director of Planning, Property and Development dated October 17, 2006.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee - November 29, 2006

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DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 14, 2006, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

On June 5, 2003, the Standing Policy Committee on Property and Development requested the Director of Planning, Property and Development to review the procedures and resources within the Real Estate Division which could expedite property sales, examining both the short and longer term aspects, including details of the financial implications of increased resources for report back to the July 3, 2003 meeting of the Standing Policy Committee.

On July 3, 2003, the Standing Policy Committee on Property and Development received as information the verbal update from the Manager of Real Estate, Planning Property and Development Department, with respect to the review of current City Policy on the Sale, Acquisition, Rental, Leasing and Management of Properties. Further, the Standing Policy Committee on Property and Development requested the Director of Planning, Property and Development to submit a report containing the various City Policies on the sale, acquisition, rental, leasing and management of properties.

RE: Policy Concerning Offers to Purchase City-Owned Property

FOR SUBMISSION TO: Standing Policy Committee on Property and Development

ORIGINAL REPORT SIGNED BY: Director, Planning, Property and Development

REPORT DATE: October 17, 2006

RECOMMENDATION(S):

1. That Council adopt the policy recommendations for processing offers to purchase City-owned property as outlined on Schedule "A" attached.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report Summary

Key Issues:

- Four recommendations pertaining to the sale of surplus City-owned property as described in the Real Estate Management Audit Report (March 2000) are as follows:

    1. The City needs to develop and implement a clear, consistent and comprehensive policy framework related to real estate acquisitions, sales and leases (Recommendation 5);

    2. The Planning, Property and Development Department should take a leadership role to ensure that a corporate process to identify, declare and record surplus property is being followed (Recommendation1);

    3. The (Real Estate) Division develop a plan that prioritizes its resources to develop, market and dispose of surplus Property (Recommendation 1);

    4. Where a discount or premium is applied to a real estate transaction, the rationale for the decision and the amount of the subsidy should be transparent to all concerned parties (Recommendation 2).

- At the June 5, 2003 meeting of the Standing Policy Committee on Property and Development, the Director of the Planning, Property and Development Department (referred to hereafter as 'the Department') was requested to review the procedures and resources within the Real Estate Division regarding sales of City-owned property for report back to the Standing Policy Committee.

- The regular process for marketing property that has been declared surplus to the City's needs is through a public offering that reflects competitive bidding practices.

- Recently (2005-2006), a consultant was retained to review the procedures in the Real Estate Division relating to the sale of property and to create an inventory of City-owned property that was deemed surplus or potentially surplus.

- As a result of this review of procedures, the Department has identified the need to create a clear policy regarding unsolicited offers to purchase City-owned property.

- Principles recommended by the Department for guiding the process of the sale of City-owned property include consideration of:

  - Obtaining the best value for the citizens of Winnipeg
  - Transparency and full public access
  - Orderly development
  - Support of specific Council mandates and initiatives

- The proposed policy attempts to formalize standard practice within the Department and to articulate the authority of the Department to reject unsolicited offers in many cases. The key, summary elements of this policy are:
  - That the sale of property at market rates with full public access is the default process
  - That unsolicited offers not be acted on except under the following conditions:
    1. Not developable, remnant property sold to an adjacent owner
    2. Property sought by a utility company or government agency
    3. Property associated with Council approved policies or programs
    4. Property associated with a land exchange for property sought by a City Department
  - That current delegated authority for approval of property transactions be retained

- In the context of the above, the recommended policy is to not act on unsolicited offers to purchase City-owned property except for certain circumstances as outlined in Schedule "A".

Implications of the Recommendation(s):

General Implications

(X) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

Policy Implications

( ) No

(X) Yes

Comment(s):
This report recommends a policy that formalizes the practice relating to the sale of City-owned property and creates direction for dealing with offers to purchase City-owned property.

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

Report

REASON FOR THE REPORT:

The Standing Policy Committee on Property and Development requested that the Director of the Department review the procedures and resources within the Real Estate Division relating to the sale of property.

As one element of this review, the Department has identified the need to clarify the specific policies and conditions concerning when it accepts for consideration unsolicited offers to purchase City-owned property.

HISTORY:

On March 20, 2000, the Chief Administrative Officer (CAO) approved the Real Estate Audit Report. The focus of the Audit was to improve the efficiency and effectiveness of key processes in real estate management and ensure accountability and integrity in decision-making.

On June 5, 2003, the Standing Policy Committee on Property and Development requested that the Director of the Department review the procedures and resources within the Real Estate Division in order to expedite property sales and outline details of the financial implications, including possible increased resources, for report back to the Standing Policy Committee.

In April 2005, a consultant was retained for a period of one year to develop an inventory of City-owned land. The project involved liaising with representatives from other City Departments for verification of jurisdiction, recording assessed values and determining the status of each property for marketing purposes.

During this marketing project and the review of Real Estate procedures, it was identified that the Department needs to have a clear and consistently applied policy for unsolicited offers to purchase City-owned property.

DISCUSSION:

The increased demand for the City's real property assets has placed additional pressure on the Department to process the purchase and sale of residential and commercial property. This has impeded the sales staff from being able to efficiently provide customer service in a timely manner. Dealing with unsolicited offers to purchase City-owned property further adds to the workload in the Division and can redirect activity to non-priority areas.

Presently, only properties that have been declared surplus to the City's needs, and on which due diligence has been completed as part of the sales process, can be sold. Generally, properties are made available for sale to the public through the City of Winnipeg website or through other methods of public offering using competitive bidding practices.

The process to declare property as surplus includes circulation to stakeholder Departments to determine if there is any civic need for the property. The current policy is that all property determined as not being required for City purposes must be declared surplus by Council, before disposition. The exception is property acquired through the tax sale process. These properties can be declared surplus by the Director

of the Department pursuant to Council-approved City Organizational By-law No. 7100/97 amendment 107/2005.

Subsequent to establishing the property as surplus, a process of due diligence is necessary to prepare the marketing (selling) package for the property. This due diligence includes conducting research related to ownership, current zoning, servicing, and encumbrances and, in certain situations, an environmental site assessment. (Some of this information may already be established during the process of determining the property as surplus.) This information can often be difficult to obtain. It is generally expected that property sold by the City of Winnipeg should meet a standard of full disclosure at the highest level.

Principles
The principles guiding the process of sale of city-owned property include:

1. Obtaining the best value for the citizens of Winnipeg. In most cases this can be deemed as best initial price. In some cases, plans for the property might result in higher future tax revenues or improvements to the general economic or social environment of the City.

2. Transparency and full public access. In general, property sold by the City of Winnipeg should be well advertised and available for the general public to submit offers. Public offering of property should be the default process.

3. Orderly development. The sale of City-owned property should be consistent with and support orderly development as outlined by planning documents such as Plan Winnipeg and other Council-initiated development policies.

4. Support of specific Council mandates and initiatives. The sale of City-owned property should support specific policy initiatives and mandates adopted by Council, including downtown first and economic development.

The Department's recommendation for a Policy concerning all offers to purchase City-owned property is contained in Schedule A attached.

Financial Impact Statement Date: July 28, 2006

Project Name:

Policy Concerning Offers to Purchase City-owned Property

COMMENTS:

The recommendation contained in this report is that Council adopts the policy recommendations for processing offers to Purchase City-owned property as outlined on Schedule "A" attached. There are no direct financial implications associated with this recommendation.

"Original Signed By"
Mike McGinn, CA

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

N/A

External Consultation With:

N/A

THIS REPORT SUBMITTED BY:

Planning, Property and Development Department
Division: Office of the Director
Prepared by: Stan Dueck & Ray Klassen
PPD File No. O:\Reports Directive\Real Estate\Sales\Policy_Unsolicited Offers.doc

Schedule A:

Offers to Purchase City-Owned Property Policy

A. POLICY STATEMENT

The principles guiding the process of sale of city-owned property include:

1. Obtaining the best value for the citizens of Winnipeg.
2. Transparency and full public access.
3. Support of orderly development as outlined by planning documents such as Plan Winnipeg and other Council-initiated development policies.
4. Support of specific Council mandates and initiatives.

The standard practice for the sale of City-owned property will be through a public offering and sale at market rates.

B. DETAILS

1) That the Planning, Property and Development Department (PP&D) (referred to hereafter as 'the Department') only act on formal written offers.

2) That the Department not act on unsolicited offers on City-owned property, except for the conditions listed in B3. This includes both property that has not been declared surplus, and property that has been declared surplus but has not yet been processed through a public offering.

3) That the Department may act on unsolicited offers to purchase City-owned property under any of the following conditions:

a) Condition 1:

The Department may act on unsolicited offers for City-owned property from an adjacent existing owner when the property in question is not developable on its own (e.g. not buildable due to zoning, location, or size; a remnant parcel). In appropriate cases, the property may also be offered to other adjacent owners.

b) Condition 2:

The Department may act on unsolicited offers for City-owned property in the case where a utility company, or government agency or body is seeking to acquire the property. The agreed price should reflect a valuation completed by an accredited appraiser.

c) Condition 3:

The Department may act on unsolicited offers for City-owned property and will sell these properties at or below market value when mandated by Council approved policies or programs. The Municipal Aboriginal Pathways Strategy (MAPS), the Affordable Housing Initiative (AHI), the Winnipeg Housing and Homelessness Initiative (WHHI), and the Homegrown Economic Development Strategy are examples of these policies and programs.

d) Condition 4:

The Department may act on unsolicited offers for City-owned property that involves an exchange of land, where the privately owned land is required by a City Department for public use or to facilitate a Council approved land acquisition program, subject to the City land being declared surplus.

C. DELEGATED AUTHORITY

This policy does not supercede any current delegated authority for approval of property transactions.