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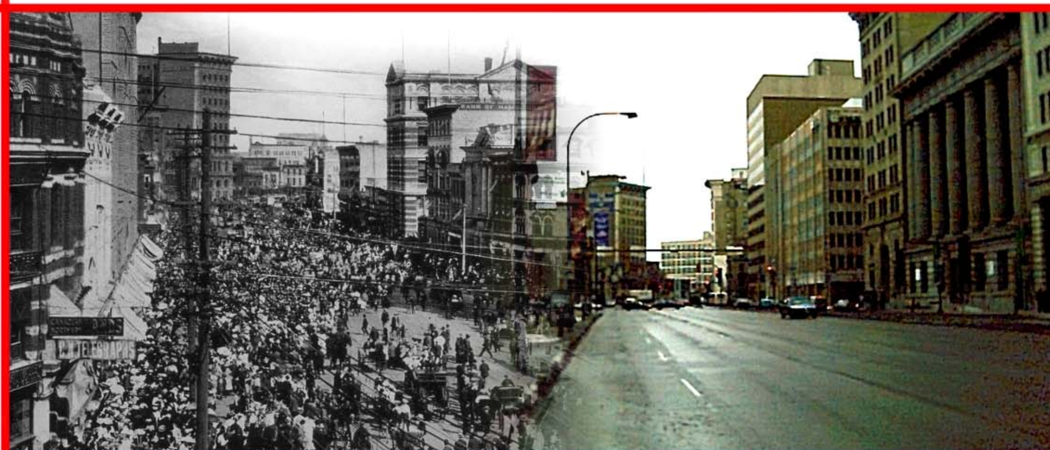

FIXING WINNIPEG'S DOWNTOWN

Big-Picture Policy Changes to Revitalize the Inner City

DECEMBER 2002

By Peter Holle and Dennis Owens

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Fixing Winnipeg's Downtown

Big Picture Policy Changes to Revitalize the Inner City

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FRONTIER CENTRE FOR PUBLIC POLICY

The Frontier Centre for Public Policy is an independent, non-profit organization that undertakes research and education in support of economic growth and social outcomes that will enhance the quality of life in our communities. Through a variety of publications and public forums, the Centre explores policy innovations required to make the eastern prairies region a winner in the open economy. It also provides new insights into solving important issues facing our cities, towns and provinces. These include improving the performance of public expenditures in important areas like local government, education, health and social policy. It is located at 63 Albert Street, Suite 201, Winnipeg, Manitoba, Canada R3B 1G4. For more information visit www.fcpp.org.

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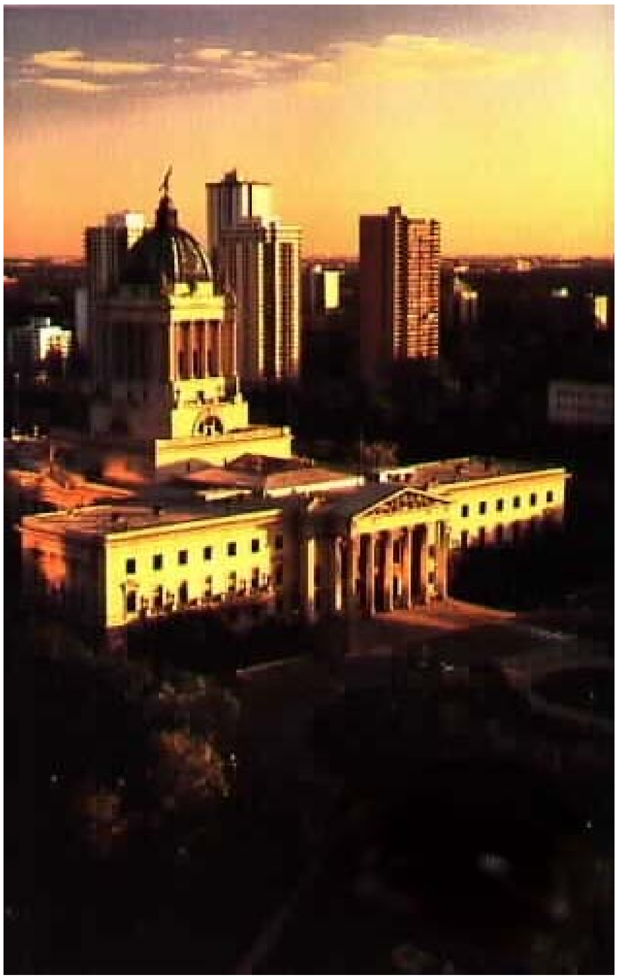


Introduction

By Peter Holle, President

When the Frontier Centre for Public Policy was started in 1997, one of its objectives was to examine new policy ideas that would reinvigorate the Prairie economy. A key focus has been the city of Winnipeg, which has suffered an unprecedented relative decline among all Canadian cities.

Once Canada's third largest city and the dominant city of western Canada, by the 2001 census it had slipped in rank to eighth among large urban areas and was registering the lowest growth rate in the country.

Although external factors have affected Winnipeg's slide down the population rankings, among them the opening of the Panama Canal and the declining importance of agriculture in the modern economy, the Centre's work suggests that the decline has more to do with policy decisions made by federal and provincial governments that have unintentionally stifled the vitality of the economic area the city dominates. Regulations, regional subsidies and transfers and tax policy, all of which have emphasized a bigger government role in the regional economy, have produced an unattractive environment for growth. The symptoms—a steady out-migration, low levels of investment, the loss of corporate headquarters, low property values—have prompted a scattered range of efforts by local and provincial governments to subsidize and retain economic activity. These have added to the problem by creating an economy increasingly dominated by government spending and federal government transfers.

This paper represents the first of several policy blueprints that will consider other models with more potential for reversing the slow-growth paradigm now firmly entrenched on the eastern Prairies. The focus of this paper is on reviving Winnipeg's troubled inner-city and downtown areas. It will complement further discussion that examines the broader Winnipeg area, as well as the Centre's Manitoba Policy Blueprint project, which is underway separately.

Previous, failed efforts to revive Winnipeg's downtown might be seen as a microcosm of the well-meaning but lacklustre models offered by provincial and federal policy makers. They bring us plenty of activity, policy zig-zags and subsidies, but all of these have happened against a backdrop of continued general decline. The Winnipeg Development Agreement, a tripartite government arrangement, has over the years spent over $350 million on consultants and subsidy programs that promise to revive the inner city, but arguably has had minimal impact.

This paper will take a different approach to "fixing" the downtown. In place of advocating more government money and subsidies, it will suggest basic policy reforms to tax, regulatory and service-provision policies that are degrading the viability of the city's core area. It will suggest some root-and-branch changes that target the causes of long-term decline rather than superficial and simple short-term approaches that focus on temporarily alleviating the symptoms of inner-city stress. We believe that the decline of the centre-city is mainly man-made and artificial and, more importantly, that it has tremendous potential which can be unlocked with some basic and imaginative policy reform.

The Frontier Centre comes to this project with a great deal of optimism about Winnipeg's downtown…

Executive Summary

Introduction

The City of Winnipeg never lived up to the economic potential of its early boom years. As in other slow-growth cities, its relative decline has more to do with policies that restrict economic growth than wider geographical and historical forces like the opening of the Panama Canal and relative decline of agriculture. The city's slow stagnation has been substantially man-made.

Winnipeg's downtown has been suppressed by regulatory and tax policies. If these obstacles to growth can be addressed, there is reason to believe the downtown area would join the dramatic boom and revival of downtown communities now underway in most North American cities. Key to a downtown revival is the recent concept of urban cores, one that makes the inner city a magnet for highly mobile, new economy participants who live and work downtown.

We recommend the following policy changes to unlock Winnipeg's downtown area...

1. Friendly Zoning & Permitting

Zoning, building and occupancy codes stand in the way of converting Winnipeg's core into attractive and dynamic living places. They need to be liberalized, in some cases abolished, and replaced with systems that encourage and assist redevelopment:

- End separate use zoning.
- Grandfather original building codes through to today in Winnipeg's historic warehouse areas to keep old structures viable.
- Implement quick permitting to expedite conversion projects along the model used by Milwaukee.
- Implement a permitting system that ties performance bonuses in the Planning and Development Department to timely processing of permits. Benchmark turn-around times and publish them in the city's annual report and website to promote transparency.
- Commit to a zoning model that accommodates consumers, not a top-down process.

2. Unlock Private Capital Spending Boom by Ending Rent Control

- The biggest opportunity for downtown revival remains vibrant, market-based housing rooted in building conversions and new construction.
- A Saskatchewan-style end to rent control is the way to go.
- To ease fears, the province could create a temporary income-tested transition program or adjust existing welfare programs to provide assistance or subsidies to the small segment that might be affected by the removal of rent control.
- Using the precedent of Milwaukee, Wisconsin, which added 3,500 additional units in its downtown over the last three years, this has the potential to unlock over

a half billion dollars in new private investment over the medium term.

- This "free" money will dwarf any public investment or subsidies made in the past.
- Encouraging thousands of new units in the centre-city is a smart way to combat "urban sprawl".

Create true one-stop shopping for permitting and licensing...

3. Remove Barriers to Enterprise

Move aggressively to end the city's reputation as the most regulated city in Canada:

- Streamline business permitting and provide on-line service with guaranteed response times that are measured and publicized.
- Tie employee compensation partially to performance, with rewards for fast service and penalties for non-service.
- Excessive levels of regulation discourage and prevent entry-level businesses from taking root in the inner city. Most of these impediments have no real value beyond the creation of work for the regulators, and should be replaced with measures that simplify and encourage entrepreneurship. the City should work to help unleash more entrepreneurial activity in the inner city.
- Unleash the taxi industry by asking the province to end the Manitoba Taxi Board's power to restrict market entry. Regulation would be refocused on safety and hygiene.

4. Make Downtown a Safe Place by Policing for Results

People will not live and work downtown unless public safety is assured. Current policies need to be revised in the direction of a results-based policing paradigm that stresses street-level crime-fighting, and reopens public areas for the use of peaceful citizens. Specifically:

- Embrace "broken windows" policing with zero tolerance for minor crime
- Require removal of all graffiti within a 24-hour period
- Implement performance pay tied to improved crime clearance rates.
- Increase police on street presence by shifting resources from behind desks, using civilian administrators and ending the 24-hour two-officer police car policy.
- Review and reconsider justice policies that have good optics but divert police resources away from traditional crime-fighting activities, particularly zero-tolerance policy for domestic abuse and non-smoking bylaw enforcement.

5. Make Traffic and Parking Policies Friendly to Residents, Shoppers and Cars

Winnipeg's traffic, transit and parking policies have discouraged automobile owners, who comprise the vast majority of citizens, from coming downtown. Streets should be reconfigured to make driving downtown easier, punitive parking penalties should be reversed and liberalized:

- Convert one-way streets to two-way avenues where possible.
- Eliminate meter parking in low-use areas and replace them with two-hour on-street parking.
- Institute street parking permits in low-use areas such as the west end of the Exchange District as a carrot for new residents in warehouse conversions.
- Remove rush-hour turning restrictions.
- Remove rush-hour street-parking bans.
- Sell city parking garages and reinvest the proceeds in new parking facilities.

6. Better Transit

There is substantial scope to lower fares and boost service with a more transparent transit model:

- Move to a European-style competitive transit system found in cities like London and Copenhagen, Denmark.
- Split the system into several districts and purchase services from competing bus services on a rotating basis.
- The province should make its subsidy to Winnipeg Transit conditional on moving to a competitive "least-cost" subsidy system to cover the cost of services that are provided low break even when purchased from competing suppliers.

7. Make Winnipeg a High-Performance City

The City of Winnipeg should continue working towards a more transparent and competitive service provision model.

Recommendations for transforming Winnipeg into a "High-Performance City":

- Implement a managed competition model, where internal providers have the flexibility to bid against outside vendors.
- Give internal business units the freedom to redesign their workflows and delivery systems. This would likely mean the end of cumbersome internal rules and regulations, for example, procurement.
- Identify and make management overheads transparent to create incentives to reduce them when they are costed into bids.
- Introduce gain-sharing to create strong incentives for internal providers to be as efficient as possible.
- Introduce performance contracts that are tied to measured outputs for all government managers. For example, provide a performance bonus if building permits are processed within 24 hours.
- Introduce a capital charge to create signals within the system that assets, land and facilities are not "free."
- Formally legislate separation between elected officials and day-to-day operations. City Council would employ only the City Manager, who would be accountable for measured results.
- The City Manager would become the employer of the workforce, with the freedom to adjust the framework in accordance with the goal of meeting performance targets, which are determined by Council.

8. Dramatically Lower/De-emphasize Property Taxes

Winnipeg's high property taxes penalizes density and promotes urban sprawl. Aggressively move to lower and eliminate property tax:

- Expand the use of traditional revenue sources used by other Canadian cities, particular hotel taxes and user fees.
- Fund education through the Province's general revenues, not municipal property taxes.
- Continue to improve operating efficiencies by moving to a more transparent, output-oriented city model through "managed competition".
- To catch free-riders who use services and amenities subsidized by property taxes, implement fully-costed user fees on non-city residents.
- Ideally, shift to user fees based on neighbourhood costs where possible. These localized fees would be the lowest in areas of density and thereby clearly favour the downtown.
- Fund expenditures not covered directly by user fees, so-called public goods, with a simplified property tax based on land asset not the improvements on it.

We believe these basic policy changes would create a dramatic revival of both the city and its downtown area.

The following Government Decision Grid lays out which level of government must lead on each action…

Policy Change	Province	City	Action
Friendly Zoning and Permitting	Supporting Role	Lead Role	Internal systems and benchmarking
Allowing Private Investment by Ending Rent Control	Lead Role		Saskatchewan style end to policy
Removing Barriers to Enterprise	Supporting Role	Lead Role	Regulatory house cleaning
Safer Downtown-Better Policing	Supporting Role	Lead Role	Policy changes, province could tie some funding to performance focus
Friendly Parking and Traffic		Lead Role	Policy change
Better Transit	Lead Role	Supporting Role	Transit Grant conditional on least cost subsidy/ competitive suppliers
Creating High Performance City	Lead Role	Supporting Role	City of Winnipeg Act Modernization
De-emphasize Property Tax	Lead Role	Supporting Role	End Education funding from property tax, legislative changes

FIXING WINNIPEG’S DOWNTOWN

Big-Picture Policy Changes to Revitalize the Inner City

Background

A hundred years ago, the city of Winnipeg was Canada’s gateway to the West and at the peak of a historic boom. Its population had doubled in twenty years, and it was hailed as the “Chicago of the North.” Thousands of immigrants rode the rails into a thriving farm economy west of the Red River and to the processing and manufacturing industries that followed.

The city rumbled with the cacophony of commerce; its bustling downtown streets were choked with activity of every sort. Fortunes were made and lost at a breakneck pace. A lively political and media culture oversaw civic projects such as parks, public baths, fire halls, schools, streetcars and electric grids.

“The Carnegie Library on William Avenue opened in 1905, the Manitoba Agricultural College in 1906 and the Walker Theatre in 1907. It seemed there was no limit.”[1]

Several external factors soon combined to dampen the rate of Winnipeg’s growth. Among these were wars, which shut off the pipeline of new people; the development of west coast ports, which reduced the importance of the railway corridor; a loss of vitality in the agricultural sector, which was depressed by subsidies and marketing regulation; and the movement of pioneer capital west. However, a significant part of Winnipeg’s relative decline – it continues to slide in the size rankings of Canada’s major cities[2] – had little to do with externals.

Other cities eventually overtook Winnipeg, during the 1970s, first Edmonton and then Calgary. That city took the economic crown from Winnipeg over the next decades, emerging as the corporate headquarter capital of the West. From 1951 to 2001, Winnipeg was the slowest-growing city in Canada, with a population increase of 88% compared with 670% growth in Calgary. During the 1990s, the population of Winnipeg increased by only 19,000, compared to an increase of 197,000 in Calgary[3].

Over these years, a heightened level of policy experimentation in Manitoba moved the province toward activist and interventionist government. Some sectors of the economy were converted to government ownership; the public sector was expanded and taxes were increased. Corporate headquarters left, along with their high-value jobs. Equalization transfers ratcheted upward and became a mainstay of the economy. By 2002, despite some rather hopeful boosterism, the fundamentals remain bleak, skewed by a relatively oversized provincial public sector and an increasingly non-competitive tax climate. On a per capita basis, new business investment is a fraction of that found in other provinces, particularily Alberta.

There is no doubt Winnipeg’s relative slide also substantially reflects policy choices made at higher government levels, particularly federal over-regulation of agriculture, the regional politics that shifted important industries’ activities to other cities (Air Canada, CF-18) and, more opaquely, the country’s equalization system. It supports the bias in favour of government ownership and creates incentives to keep taxes higher than the level necessary to retain and attract the investment that produces economic growth.

The decline of Winnipeg’s inner city, the downtown and the old city belt that surrounds it, in part stems from the environment described above, but it has other accelerants. Misguided regulatory policies such as rent control block investment in the downtown’s most valuable asset – its superb potential as a vibrant and dynamic residential area. An over-reliance on property taxes has penalized density in favour of the city’s suburban areas.

That said, the approach this paper takes to the revitalization of Winnipeg differs markedly from traditional policy approaches in Manitoba. They habitually call for more subsidies and government programs to deal with micro challenges, an approach that is based on a bureaucratic, activist model for government.[4] This paper calls for improvements to existing policy frameworks in order to remove the obstacles that restrain the natural advantages of Winnipeg's downtown area. It does not ask for more public subsidies or programs and it asks for less direct government intervention in the area. It suggests that government programs, subsidies and policies are the challenge to the area's vitality, not the answer.

Underlying the analysis is a simple view of how the external world affects individual actors. When people acquire property in Winnipeg, how difficult is it for them to improve it? If they wish to rent or to offer premises for rent, what rules affect those transactions? If they decide to invest in a business, is the process simple or complicated? When they enter public places, how safe are they? Is it easy for them to drive or park a car? How efficient or effective are the municipal services offered to them? Is the tax regime to which they are subjected reasonable and fair?

Larry Gregan, a minister at an inner-city church[5], has observed that residents of Winnipeg's core area are already subject to more government involvement than any other part of our society. In every sustaining facet of their lives, from the workplace to health, education and social services, they face daily bureaucratic intervention that diminishes their ability to lead productive, self-directed lives[6]. Although these enervating forces affect the whole metropolitan area, they are most concentrated, and therefore most destructive, at the centre. The key to unlocking Winnipeg's potential must, therefore, be inserted in the downtown's door.

A FAMILIAR PATTERN

Throughout North America, the centres of most cities have followed a pattern of decay and disintegration. Industrial and manufacturing enterprises, once the backbone of core economies, have faded in importance and services have followed affluent émigrés to suburbia. Typically, the flight of wealth left inner cities in the hands of populations more dependent on social services. Housing blight, high rates of crime and other social pathologies came to dominate inner-city life. On a more positive note, technology has permitted the rise of telecommuting, which eliminates the need for face-to-face contact that was the key advantage of dense downtown communities in the early 1900s. Sharply rising incomes, combined with changing retail patterns, particularly the shift to big-box shopping centres on cheaper, car-accessible land along the urban fringes have created a consumer paradise that can not be replicated in dense city cores. The sum of these positives and negatives forms the dynamic of struggling downtowns in all large cities, including Winnipeg.

How can the slide be reversed? To find out, we have to understand what cities are all about. They formed because higher population densities allow a more intense level of specialization, which increases the value of work, and reduces per capita costs for the infrastructure of living, which lowers the cost of work. Milwaukee Mayor John Norquist explains the syndrome in his book, *The Wealth of Cities*:

" Cities are extraordinarily complex organisms, but their complexity derives from a simple formula. Cities form as people gather together. Large numbers of people living close together communicate, work, trade, sell, buy and specialize easily and thus to a greater degree than do people who live far apart from one another.

The efficient proximity of people in cities and the consequent ease of interaction unleash processes that build civilization. Cities foster specialization of labor and concentration of capital. Specialized labor results in leisure time, which can be devoted to creating art, music, religion and culture; concentrated capital, which essentially is wealth, fosters greater productivity, as cities allocate resources towards building bridges, sewer systems, and transportation networks, usually through government, and producing goods and services through markets."[7]

In Winnipeg, we've tilted the balance of that equation with public policies that discourage commerce and investment, drive affluent individuals and residents from the area with inadequate schools and policing, negate the cost advantages of dense population concentrations, and make downtown living more difficult, or even impossible. The particular set of policies that aggravates the malaise that afflicts Winnipeg's core is not exclusive to Winnipeg. Many other cities in North America have made the same mistakes and suffered the same consequences.

Suburban sprawl and the decay of downtowns seem like nature's way of saying that nothing lasts forever. The inner cities had their chance. Now they're being eviscerated, and the action is in the suburbs. A closer look, though, shows nature had nothing to do with this decline – the collapse of the city is entirely man-made.[8]

Despite alarms about urban sprawl among certain parts of the academic and media communities, Winnipeg is not unusual in seeing a steady decline in population density. Cities around the world and Canada are spreading out as a natural function of a more prosperous economy; rising income levels have facilitated car ownership and larger suburban housing products. Of the top 10 urban centres in Canada, Winnipeg, in fact, is the sixth densest. It is also 1.14 times as dense as Portland, Oregon, which chooses to refer to itself as "the anti-sprawl leader of the world."[9]

A NEW VIEW OF THE INNER-CITY PLACE

Yet, there are many reasons to be optimistic. Changing demography and a fatigue with the numbing sameness of the suburbs have reignited an interest in the comparatively dynamic urban environment of older downtown areas. There are signs of life. Many U.S., and in deed Canadian, cities are in the midst of a downtown renewal. U.S. urbanologist Joel Kotkin describes the trend: *"After decades of decline, the urban center is showing a surprising resurgence. Once thought to be doomed in an era of increasing sprawl and decentralization, city cores... are attracting new investment, business and residents at a healthy clip.*

Yet these positive trends do not suggest that we are about to witness the return... of the mid-century downtown or the bustling central-city commercial and manufacturing districts. Even under the best of circumstances, center cities are unlikely to ever emerge as the geographically dominant centers of their metropolitan regions as they were in the industrial era. Instead, the new urban core resembles more that of the Renaissance city – relatively smaller, and built around classical urban functions such as the arts, cross-cultural trade, and highly specialized, small-scale production.

Symbolically, the new center city is not so much defined by the high-rise corporate headquarters as by the revived warehouse or former manufacturing district, where older buildings have been brought back to full use as offices for information and fashion-related businesses. Its economy is not so much dominated by the presence of a few looming giants, as by scores of smaller, often highly networked firms.

. . . No longer the lure to the vast majority of middle-class families, the cities have been revived by the emergence of what might be called the new urbanites. These are predominantly drawn from two groups: immigrants from other countries and a growing cadre of native-born migrants, largely young, single, educated and childless.

These new urbanites are drawn to the center city for both economic and cultural reasons. [The] immigrants cluster... to create zones of familiarity... [and] work in, and often also own, businesses that require highly concentrated clusters of related firms, in industries from food processing to apparel and furniture. The other group – the largely childless and educated – is attracted to the city core's cultural resources, architectural sense of place, and to the concentration of single, nonattached people. They also tend to work in many of the burgeoning "knowledge value" industries, such as new media, graphic arts, advertising and software development."[10]

Kotkin's words characterize the demographics in a number of cities that have engineered successful revivals of their city centres – includeing New York, Houston, Los Angeles, Seattle or, more similarly to Winnipeg, Milwaukee. These cities and others have tailored civic law to encourage the repopulation of core districts previously regarded as hopelessly blighted.

"That's the key to saving a downtown; make it an attractive place for these target groups to live and work..."

Winnipeg's Exchange District – the renowned agglomeration of buildings and spaces that survives the boom years – is perfectly suited for such an transformation. The river area off the downtown business district is a natural for redevelopment. The large inventory of low-value housing in areas such as the west end, which is within easy walking distance of downtown amenities, also represents an obvious opportunity for a dramatic revival.

WHAT'S IN THE WAY?

Unfortunately, in Winnipeg we have failed to modernize policies with the times. Ideas that were fashionable in urban planning circles in the 50s and 60s continue due to simple inertia and a pervasive lack of imagination and leadership. It is much easier to let the various levels of government cook up programs and subsidies, frequently in complete isolation from one another, than to deal with simple policy changes that would restore the dynamic city economy that underpins the inner-city and its economy:

Inimical building, zoning and occupancy codes discourage the conversion of buildings to different uses and make it overly expensive to do so. Rent controls prevent investment in new housing stock and degrade the existing supply.

Excessive business taxes and regulations, along with planning protocols, erect prohibitive barriers to small-scale entrepreneurship and micro-employment.

The police service has a low clearance rate for reported crimes and dedicates too few of its resources to front-line street safety.

Parking problems and traffic policies discourage car owners from venturing downtown.

An over-reliance on property taxes has helped the collapse in property values, particularly in more dense inner-city areas and, through the equalization principle embedded in Unicity, has prevented these residents from capturing the density-induced advantage of lower per capita service costs.

The City of Winnipeg has considerably more room to modernize the funding models and delivery systems that provide services to city residents.

Although this list of problems is by no means exclusive,[11] it includes the major policy issues that can be addressed within Manitoba. Each separately undermines the potential for a vibrant downtown area, and fixing each of them separately would help return Winnipeg to a positive pattern of urban growth and prosperity. Some of these measures can be undertaken by the City alone; others require action by the province of Manitoba, the level of government responsible for The City of Winnipeg Act. Each of these would be valuable on its own. In combination, they have the potential to make Winnipeg a boomtown again, perhaps for good this time. The city's unique concentration of cultural industries and classic buildings and, more recently, its award-winning expansion of exciting public spaces such as the Forks, form the foundation for policies that can draw people back downtown, to play and to live.

This paper will highlight urban reforms from other jurisdictions that can be applied to Winnipeg, particularly to the downtown, and expand on the new thinking in urban policy that underlines them. It will then analyze each item in context and recommend changes to each policy. No magic bullet will turn Winnipeg around, but a combination of proven and established reforms that have worked in other cities will do the job.

OPPORTUNITY ONE:

BUILDING CODES SHOULD BE FLEXIBLE AND FRIENDLY TO CONVERSION

It is generally accepted that the future of downtown districts in North American cities lies in their transformation into interesting and entertaining living places. The much-discussed death of distance phenomenon in the information economy means that the 20th-century experience of downtowns composed of concentrations of offices, warehouses and factories has faded substantially.

Several factors have assisted in the rebirth of the downtowns in the largest U.S. cities, which have deteriorated more compared with Canadian cities due to crime and bad housing and road policies. Changing demographics, combined with rising wealth levels, have created an eclectic mix of ex-suburban empty nesters, childless professional couples and highly educated, technologically astute singles who are strongly attracted to the cultural resources and architectural sense of place provided in the core of older cities. Inner-city neighbourhoods have come back as grass-roots charitable groups and community-development corporations have taken charge of rebuilding their communities. Looser immigration laws have also provided a steady flow of new residents with purchasing power and entrepreneurial vitality.

Substantial sums have been invested in superficial stop-and-go revitalization efforts such as new streetscaping and development plans, all amid continued decline. While *ad hoc* subsidies for a showcase project or two and tax credit programs provide glimmers of hope and some visible near-term optics, they face deeply entrenched policy obstacles to the widely acknowledged and proven strategy to re-invent the old central business district area – increasing the permanent downtown population.

"In Canada, particularly Winnipeg, the connection between broader policy reforms and downtown rejuvenation continues to be lost on policy makers who have traditionally seen the challenge from a narrow program perspective."

Unfortunately, cities have constructed a maze of building, zoning and occupancy codes that mainly through inertia and parochial local politics lock them into the culture of the past. These regulatory burdens have taken on a life of their own in overly complicated and opaque administrative structures. Frequently, these systems are overly politicized, allowing local politicians an inappropriate level of involvement in the minutiae/approval of zoning issues. Both factors combine to perpetuate the bureaucratic systems that were built to administer them, and the *status quo*.

Winnipeg's Exchange District: Valuable Architecture - conversion stymied by inflexible codes and rent control.

Investors may perceive zoning to be the problem when city planners oppose allowing residential use in a potentially vital downtown business district. Few business owners located there would oppose more residential housing. Zoning per se is not the problem; it is a decision-making process that marginalizes the community most affected by the land use. Community self-interest and support for licensing and land-use decisions form a predictable commitment that increases the confidence for profitable investment.

According to the authors of a recent study of these complex codes, the planners who administer them live and work in a culture underscored by certain ideals:

"They must be comprehensive, encompassing all types of land uses (e.g., residential, commercial, industrial, and open space); internally consistent, to avoid contradictions such as a accommodating commercial development in a residential community; rational and information-based, leaving little up to the spontaneous evolution of the market or community; future-oriented, with a long time horizon, often 20 or more years; goal-oriented, with specific priorities, to identify trade-offs and encourage political decisions over future development.

Moreover, the ideal plan would steer otherwise unfettered private activities into "socially useful" (however defined) directions.

While planning ideals are lofty, reality has diverged from those ideals. How has planning fallen short of its intended goals? One indicator is the cost of implementing the plans. Surveys of the impact of zoning and other land-use controls suggest local regulations add 20 percent to 30 percent to the cost of housing. Moreover, planners are so absorbed by the "business of planning"– the implementation and enforcement of the master plan – that they rarely have time to focus on larger issues such as strategic planning. A survey of 178 California cities, for example, found that land-use permit processing and rezonings account for almost 60 percent of planners' time. Planners spent less than 10 percent of their time in general plan preparation. Hence [small new businesses] are frozen out of development because zoning codes and comprehensive plans are not updated to reflect contemporary trends and realities.[12]"

The rules for urban land use, these scholars explain, take many forms. "They range from the simple – zoning ordinances that set forth broad and general land-use designations such as 'residential,' 'commercial,' and 'industrial' – to the complex and highly prescriptive. For example, by the 1980s, New York City had added over 2,500 amendments to its zoning laws, which had received no comprehensive overhaul since the 1950s. Plans also run the gamut from simple zoning rules to long-term and highly detailed, top-down general plans."[13]

The Sterile Zoning Philosophy of Separate Uses

As Milwaukee Mayor John Norquist observes in his book *The Wealth of Cities,* the zoning power in most cities tended to emphasize separate uses, a forced break-down of intrinsic, organic neighbourhoods where people could work, live and pursue other values. The desire to protect people from noxious neighbourhood effects inspired planners to alter residential codes to forbid housing near commercial or industrial activity. Concentrated, affordable living spaces that had tended to absorb large numbers of newcomers and neighbourhoods that featured multiple uses, where people live close to, indeed, often right above their workplaces were discouraged. Dense, inexpensive housing became synonymous with urban blight, and construction of new units was restricted to larger lot sizes available only in the suburbs.1

In U.S. cities, artists and early urban colonists typically reclaimed and converted old office space and warehouses into living places.

In urban war zones such as inner-city Detroit, they simply ignored all the rules and made something of derelict, abandoned structures. The planners' cumbersome list of approved uses, traditionally hostile to residential conversion, made it very difficult and very expensive to create new living spaces. Zoning substantially increases development and operating costs. Accompanied by bureaucracy and red tape, it creates a highly politicized process characterized by notoriously unpredictable delays.

A CASE STUDY

THE EXCHANGE DISTRICT'S ZONING NIGHTMARE

Reviving Winnipeg's core area requires a commitment by planners to identify and then remove regulatory obstacles that prevent gentrification of the area. Tom Dixon, a veteran property owner in the Exchange District, can relay a wealth of anecdotes about bureaucratic inflexibility:[1]

- Fire codes that require drywall partitions that don't contribute anything to fire safety.
- Covering wood beams with expensive, superfluous and hideous fire-resistant paint.
- Consultations with three levels of government in order to preserve a historic cage elevator.
- An attitude among officialdom that old warehouse, office, and commercial buildings are unfit for residential use.

An inflexible quest for fire safety can have a ruinous impact on the economics of rehabilitating heritage treasures. Winnipeg's historic multi-storey warehouses were built to store heavy commodities and to support heavy machinery, hence the practical, yet attractive, post-and-beam construction that combines brick and massive wood timbers. Dixon recalls a battle during the 1977 redevelopment of the Donald Bain Building. Although the structure had a sufficient number of sprinklers, an order required that the wood ceilings be covered with two layers of drywall.

Although the fire authorities could not think of any instance of an exposed wood beam catching fire (they only char slightly), they persisted in the order to construct drywall crawl spaces. They relented after Dixon provided a letter from Lloyd's of London confirming that crawl spaces invite invisible smouldering and second and third alarm flare-ups. But the authorities still insisted the beams be covered with an expensive special fire-suppressing bitumescent paint that banished the rich natural wood colour beneath a milky sheen.

Probably the last birdcage elevator in the core area is located in the Bate Building, which was constructed in the early 1900s. On the grounds of safety, elevator authorities issued an upgrade order whose compliance costs were so expensive they would have forced Dixon to eliminate the lift. Heritage Winnipeg's president, Bernie Wolfe, took Dixon and others to meet with the Deputy Minister of Labour and the officials responsible for elevator regulation. The bureaucrats were directed to consult with their counterparts in Chicago and Toronto, who confirmed that there was no need to convert these systems as long as they met their original safety standards. The drum–elevator birdcage system was saved.

The regulatory rigidity that complicates the economics of recycling heritage buildings, particularly in a depressed market like Winnipeg's, prompts a mild but cogent response from Dixon. "We need to encourage a more reasonable approach," he suggests. "Agencies need to have the authority to make exceptions without compromising safety," he adds, noting that the attitude at city hall is changing. "Many want to help and the expertise has greatly improved."

Zoning and building codes are two peas in a pod. Both presume to shape the urban landscape according to some planner's vision of the ideal world. That world is not relevant any more. Both impose an enormous drag on the ability of the market to shape living spaces that people want.

Rigid building codes enforce enormous restrictions on the downtown's possibilities. Governments need to recognize that modern building codes far exceed the standards in place during the early 20th-century construction boom that created the Exchange District.

"Bringing the many interesting and old buildings up to 2002 standards is a prescription for a bulldozer and wrecking ball."

"It is easier and cheaper to level the building and start anew. But then we lose the main drawing card of the core area, the irreplaceable architecture, the feature that attracts the urban resident who is not interested in suburban blandness."

GRANDFATHER ORIGINAL ZONING CODES

In hand with the end of separate use zoning, why not create a special area that exempts the old district from the artificial regulatory obsolescence produced by the modern building code? With provincial help, original codes in the Exchange District could be grandfathered through to today. Wins Bridgman, an architect who specializes in rejuvenating inner-city structures, says…

"…the original codes were well thought out and remain effective."

He favours codes that are more flexible so infrastructure can be enhanced with minor tweaking that does not involve catastrophic alterations. To preserve the character of the area by keeping old structures viable, living there may involve a trade-off in which buildings lack elevators, underground parking and sprinkler systems. It would be part of the charm and living experience of historic downtown structures. Many will want it. Those who don't can live elsewhere.

Lindsay Building (1912) will receive subsidies for conversion to 35 apartments

"There has been limited conversion of commercial, warehouse and office buildings into residential space."

The Ashdown warehouse on Bannatyne Avenue became condominiums many years ago. The Lindsay Building, an office tower at the corner of Notre Dame Avenue and Garry Street, is slated for conversion to apartments in 2003. Substantial subsidies from the City's Centreventure will help to offset the conversion costs.. Each of these projects, and a few others, have taken form after a long, costly process of hearings to obtain waivers and exceptions to the City's labyrinthine planning process.

IMPLEMENT A QUICK PERMITTING POLICY

Many cities take a more customer-oriented approach to permitting processes, giving downtown redevelopment a competitive leg up on suburbs with more onerous requirements. Milwaukee Mayor John Norquist has successfully used quick permitting as a carrot for developers who want to avoid the complicated and expensive procedures employed by suburban communities.

"We really streamlined our permitting process. We did not go laissez faire; we have a plan that is a very good plan, that encourages good urbanism. If you conform to the plan you can pull your permits and begin construction very quickly – oftentimes within just a few weeks. Fast permitting is a big incentive to developers and, as a result, we don't have to subsidize our developments in downtown Milwaukee. Just the fast permitting is enough to cause them to want to bypass suburban regulations which are plagued with all kinds of regulations and lot size minimums and all kinds of parking restrictions and so forth. We make it much easier to develop in the city and as a result we had the biggest growth in property value in the year 2000 in all of the communities in our metropolitan area.[14]"

A simple performance rule could reduce the economic drag of a lengthy approval process: require the City's planning department to turn over building permit applications within a stated time period, the shorter the better. High-performance cities in places such as California and New Zealand frequently provide a performance guarantee, such as 48-hour turnaround (see page 33). To reverse disincentives to timely service in traditional planning models (which reward drawn-out decisions), these cities measure response times, benchmark them against other cities and past experience, and then tie performance bonuses to fast service. These statistics are published in annual reports and are available on the Internet to keep performance transparent for all.

Besides the deterrent effect on those not willing to run a political gauntlet, the cost structure for the residences that result under rigorous regulatory regimes puts the conversion option out of range for those who cannot afford high rents. A policy dedicated to conversion on a wide scale, with access for all classes of people, might simply waive the zoning process for all comers, and reverse the rules that require adherence to today's building codes for new structures[15].

THE EXPERIENCE IN EDMONTON

Edmonton's downtown was struggling until the City adopted a strategy to accommodate residential and commercial activity in the area.[1] It involved a series of complementary policies that made the area attractive, not simple, quick fixes. Zoning rules accommodate, instead of impede the redevelopment of heritage structures. High-rise office buildings are being converted into residential apartments using tax abatements and limited conversion subsidiesDespite Edmonton possessing significant green space and cultural assets, head offices had been leaving for other cities while new firms located in business parks far away from the centre. Sharp reductions in provincial government spending and payrolls in the mid-1990s emptied many downtown offices. Restaurants, shops and commercial and professional services firms followed, closing down or moving to the suburbs and exurbs. The quirky shops, bars, restaurants and heritage buildings of Old Strathcona, ten minutes' drive from downtown, siphoned off young urbanites in search of a non-homogenized, non-pasteurized downtown of their own.

A series of renewal initiatives was launched. As in Winnipeg, some central streets were gentrified with new lampposts, benches, cobblestones and trees, and a few older buildings, including former office high-rises, have even been converted to residential apartments. Alberta's deregulated education market sparked investment in school facilities, which drew more young people downtown. New residential and commercial development started to converge downtown and the removal of the CNR line on the downtown's northern border brought new land into play. Grant MacEwan College, the shops and restaurants of Oliver Square I and II and, eventually, new apartment buildings went up. Retail developments included the redevelopment of the old Eaton Centre into Edmonton City Centre. A project to develop what is now called Railtown on old CPR property fell apart in 1994 for political reasons, but it has finally taken off.

The City and civic-minded volunteer organizations have made strong efforts to preserve what little is left of Edmonton's historic buildings and neighbourhoods in order to keep a modicum of character in the city centre. Tax abatements have helped provide incentives to restore and reuse older structures. The City of Edmonton doled out subsidies and tax breaks on a per unit basis for the construction or redevelopment of buildings for residential use in the downtown core. Changes to laws and the regulatory regime, chiefly the reduction of zoning strictures, spurred redevelopment and commercial activity.

This combination of policies has created the conditions for the renaissance of downtown Edmonton. The same outcome is possible for Winnipeg's downtown, but the task cannot be accomplished without a significant recasting of the regulatory policies that prevent it from happening.

WHAT MIGHT REPLACE THOSE CODES?

Samuel Staley and Lynn Scarlett have examined alternatives to the top-down, user-hostile style of building and zoning codes used in cities like Winnipeg. Their paper, which should be required reading for municipal workers in those departments, describes an alternative model based on the needs of consumers.[16] This philosophy of governance guides the model:

"Urban planning and land-use regulations need to adopt market-oriented principles and concepts that build upon a vision of communities as constantly evolving. Planning processes need to recognize the role markets play in meeting consumer expectations and preferences. And, planning practice must limit the politically arbitrary nature of development approval, moving toward a common law, nuisance-based standard for regulating land development. The focus should be on those directly and tangibly affected by the proposed development.[17]"

This set of principles translates into specific operating policies that allow markets, rather than process-bound enforcement clerks, to determine the optimal use of land and resources in modern cities. They lean in the direction of local control and in emphasizing "tangible damage" as the proper standard for the approval or disapproval of a particular application:

- Planning should include a presumption in favour of property owners and require public hearings only if parties directly affected by the project identify tangible effects on their interests. This approach requires that developers properly inform the neighbours of proposed developments.
- Local planning decisions should be protected from regional or state interference unless a clear public interest exists or regional spillover effects are not addressed in the proposed plan.
- Developers should be expected to modify projects to minimize negative consequences, but these should be tangible and measurable.
- Planning boards should adopt zoning districts that accommodate a large number of uses in order to facilitate changing needs.
- Cities should adopt administrative review processes that set forth clearly defined criteria for what is acceptable to local planning boards.
- Property owners and developers should bear the costs of property development, including infrastructure directly associated with that development. However, property owners should be given latitude to determine what kind of infrastructure is appropriate.
- Standing in public hearings should be limited to parties clearly and directly affected by a proposed development.
- Development approval should be based on a set of clearly defined and stable rules rather than on prescribing specific land-use outcomes.

Recommendations for Making Zoning Accommodate Conversion and a dynamic downtown community:

- End separate use zoning.
- Grandfather original building codes through to today in Winnipeg's historic warehouse areas to keep old structures viable.
- Implement quick permitting to expedite conversion projects along the model used by Milwaukee.
- Implement a permitting system that ties performance bonuses to timely processing of permits.
- Benchmark turn around times and publish them in the city's annual report and website to promote transparency.
- Commit to a zoning model that accommodates consumers, not top down process.

OPPORTUNITY TWO:

HALF-BILLION DOWNTOWN KICK-START – VALUING THE END OF RENT CONTROLS

The crumbling facades and otherwise obvious genteel decay of many Winnipeg apartment blocks speak to the most devastating impediment to the prospect of a downtown revival – rent control. In 2000, the policy was voted as one of the worst ideas of the 20th century by a group of prominent economists[18]. Removing profits from rental markets has been around too long for its long-term effects to remain hidden from all but the most reality-challenged: zero availability of decent, affordable rental accommodation, especially for lower-income families; unnecessary and expensive expenditures on public housing; and more superfluous bureaucracy. It has devastated cities from Hanoi to Paris to New York to Winnipeg.

A key theme in this paper is to address the real policy roadblocks that undermine prospects for a vibrant and dynamic downtown. Most observers confirm that the future of downtown areas in major North American cities lies in permitting residential redevelopment of obsolete warehouse and office structures. Milwaukee, a mid-western U.S. city similar to Winnipeg, has witnessed the building of 3,500 housing units in its downtown area over the last three years. Assuming a unit might cost $150,000 to build in Winnipeg,[19] this is the equivalent of $525-million in new private investment here. The possibility of attracting such investment dwarfs past efforts, programs and subsidies invested by governments into various schemes to rejuvenate the downtown.

The province, which imposed and maintains rent control, is investing much time in trying to curb housing on Winnipeg's edges and will likely end up bringing forth new interventions to deal with a problem it created with its rent control policy.

The double irony is that rent control removes the possibility of dense, market-based housing in the core area and thereby artificially exacerbates the "problem" of urban sprawl.

The single best way for public policy to destroy a city's housing stock is the imposition of a rent control regime. Every jurisdiction that has tried it has experienced the same consequences: the curtailment of new private investment in housing, especially multiple housing; the deterioration of the existing stock and a collapse in its value; and a decrease in the availability of affordable, decent housing for the poor. The stricter the controls are, and the longer they remain in place, the more intense the negative effects. Yet few governments have the courage to remove them, because they are reluctant and lack the sophistication and courage to tackle their awkward politics. Rent controls provide concentrated benefits to a vocal few at the same time as their costs are diffused over the community.

Rent control is a form of price control, and price control causes shortages. In his book on the subject, author William Tucker outlines how they change behaviour in the housing market:[20]

- Builders stop putting up new housing because rent control captures their potential profit.
- Landlords withhold existing housing from the market, for use by themselves or friends and relatives.
- Tenants stay much longer in controlled rentals, so the remaining stock has declining vacancy rates.

Tucker outlines how city after rent-controlled city experienced these outcomes. He identifies the group most harmed and most ignored by rent control, the people technically described as "unfulfilled demand." It consists of those who either bid up to more expensive housing in the unregulated market and, in the other direction, those who can't find shelter at all, the homeless. Tucker also suggests why, despite their consistent failings, rent control ordinances are so difficult to remove once in place:

"Under rent control most of the tenant population receives a bonus of lower-than-market rents. Only a small percentage of tenants is entirely excluded from the market. That small group must bear all the adverse consequences. Those people will be forced out of the market and may even end up homeless. The people who benefit from rent control will always remain the overwhelming majority. That is why rent control may persist – even when housing shortages and increased homelessness are the result.[21]"

SOME SPECIFICS ABOUT MANITOBA'S RENT CONTROL

The province of Manitoba adopted rent controls in 1970; a policy similarly adopted in many other jurisdictions during the high inflation rates of that period. The first two effects forecast by Tucker happened in Winnipeg – private market investment in multiple housing stopped dead and many landlords retired units from the market – but the third one did not. Vacancy rates have bounced back and forth, but a severe housing crunch, especially at the bottom end of the market, never occurred.

Why did Winnipeg escape the predicted shortage? As with Regina and Saskatoon, it had a substantial existing housing stock in generally good condition at the onset of rent control. The city's habitually slow economic growth reduced the pressure of demand as younger workers emigrated to cities that were creating jobs at a faster pace. Moreover, declining real (inflation adjusted) property values from high property tax rates meant that the gap between the controlled price of housing and the underlying market price did not become as wide as it did in other cities. The rent control agency also allowed landlords nominal, if below cost, increases in rents over time.

Instead of a shortage of housing, Winnipeg has experienced a sharp decline in its quality. Landlords tend not to invest in improvements or even basic upkeep. "Winnipeg's apartments come complete with antique plumbing and electrical wiring,"[1] one writer puts it. The media have graphically documented the accelerating cycle of urban housing collapse: more and more properties boarded up, and then acquired by the City for defaulted taxes, and the spikes in the rate of juvenile arson as the derelict properties are torched. Unfortunately, more often than not, local and national media have failed to connect the policy-induced decay of properties to the deterioration of buildings caused by rent control. They treat the optics of decay - arson, gangs, crime and other social dysfunctions that harm Winnipeg's image – as the cause. The best way to end the torching of abandoned apartment blocks by vagrants is to remove rent control.

MANITOBA'S RENT CONTROL DISTORTS TAXES

A paper published by the Frontier Centre in May 2000[22] looks into the unexpected tax consequences of Manitoba's rent control policy.[23] The research, conducted by the late property investor Robert Hanson, documents how rent controls have collapsed the assessment value of Winnipeg apartment buildings, thereby transferring a large portion of their property tax load to owner-occupied homes. In other words, homeowners are subsidizing the damage caused by rent control with higher than necessary property taxes. As we will see further (page 39), high property taxes correlate somewhat with lower property values. The combination of that and rent control does much to explain why the city has among the lowest property values in Canada.

Hanson's figures show that rent control has depressed the quality and market value of Winnipeg's housing stock. He looks at its market value as a percentage of the replacement cost – that is, the present sale price compared with the cost of building a new apartment. In 1976, the average replacement cost for a housing unit in Winnipeg was 85% of the market value. By 1993, it had sunk to 43%; rental properties were collapsing in value.

This loss of wealth was reflected in a long parade of rental property owners who successfully challenged the City of Winnipeg's assessments of value. In case after case, the owners of rental housing were able to show that the market values of their properties had fallen far below the official assessments. The subsequent reduction of their property tax bills moved part of the responsibility for meeting the cost of city services to homeowners. Hanson calculated that the average Winnipeg homeowner had to pay $673 more in property taxes in 1996 because rent control was devastating the tax receipts from rental properties. He estimated the total extra cost per household at about $13,000 over 25 years of rent control.[24]

ENDING RENT CONTROL, OR REDUCING ITS HARM

The effects of rent control are so severe that many governments have reconsidered the policy. "During the'80s and '90s, 31 states prohibited this type of price-fixing by law or constitutional amendment," writes David Gratzer. "On this side of the border, one of the first major decisions of Roy Romanow's government was to end Saskatchewan's rent controls. And for those governments without the intestinal fortitude to fully scrap controls, there is a partial relaxation of the government regulation: allowing rents to rise when tenants move."[25]

A simple cancellation of rent controls is the best solution. But as we have seen, the political class in Manitoba has lacked the courage or the imagination to confront the issue. In today's information vacuum, the political constituency for retaining them in some form has more clout than the almost unanimous opinion of economists on the matter.

The Ontario government has allowed landlords a window of opportunity to raise prices in the event of a vacancy, although it capped the amount of the increase allowed. Hanson described a graduated return to a free market in rents.[26] This sort of tinkering, and other measures recommended below, might help to mitigate the destructive effects of rent controls, but they are no substitute for outright abolition.

"In an ironic way, there has been no better time than the present to emulate the Saskatchewan decision to move forward with a more sustainable housing policy."

Ultimately, Hanson came to the same conclusion now shared by Winnipeg's Mayor, Glenn Murray. The best solution to the problems of rent control is to dump it, immediately. It worked in Saskatchewan. In 1992, Roy Romanow's government quietly passed amendments to The Residential Tenancies Act, which ended rent control. The sky didn't fall and rents didn't sky-rocket. On average, they held flat.[27]

Manitoba's slow-growth economic model with minimal population growth reduces the risk of substantial new housing demand and therefore rent hikes. Winnipeg has among the lowest house prices in Canada. Many renters are taking advantage of low housing costs and extremely low

A phase out of Rent Control

The biggest positive impact on the downtown is available from an immediate end to rent control. However, if the process were to be dragged out:

Allow realistic annual price increases to stop the confiscation of landlord capital. Remove the guidelines from the realm of political whimsy by moving their determination to a technically competent, independent arbiter, akin to the Public Utilities Board.

Create certainty for landlords by making rent increase guidelines uniform across the industry. Eliminate the overhead costs associated with posting and communicating individual price allowances, discounts and the record-keeping they entail.

Permit landlords to bring the rental rates for vacant suites back to market value. Create the conditions for an orderly return to a market-driven industry where rent controls can be removed without any real or perceived displacement of tenants.

As the market stabilizes and consumer confidence improves, select a target date, even years in advance, for a final phase-out of controls. Give tenants a long period to adjust to any impending increase and give investors a predictable recovery date.

Compile accurate information, preferably from an independent party, about the size and characteristics of the rental housing markets. Take this function away from the Canadian Mortgage and Housing Corporation, which uses questionable methods to assemble data. Require the new provider to compile reliable information about the supply and nature of rental housing.

mortgage rates and moving up into home ownership, thus reducing pressure on rents in the apartment sector. It was the Manitoba NDP that brought controls in during a time when inflation and the apartment stock was high. The government of Gary Doer has shown considerable restraint in returning to unfashionable interventionist, discredited policies of the past. As Milwaukee Mayor John Norquist suggested in his Winnipeg speech titled "You Can't Build a City on Pity", "Remove rent controls and I predict Winnipeg's downtown would gain an extra 20,000 downtown residents within 10 years and become a lively, more attractive city."[28] He also pointed out how rent control undermines the jobs of unionized city employees by depressing the property tax base and that this should concern the NDP.

The province of Alberta abolished rent control 20 years ago. The measure has been a critical factor in the construction of many new rental units in Edmonton and in the refurbishment of existing residential buildings. Others that might have been converted into condominiums to escape controls remained in the rental market.[29] In spite of record population growth and the demand for housing raising prices and rents, there is no interest in suffocating the housing market with rent controls.

The biggest opportunity for downtown revival remains vibrant, market based housing rooted in building conversions and new construction.

A Saskatchewan-style end to rent control is the way to go. To ease fears, the province could create a temporary income-tested transition program or adjust existing welfare programs to provide assistance or subsidies to the small segment that might be affected by the removal of rent control.

Recommendations for unleashing 'free' private capital for downtown residential conversions by ending rent control:

- The biggest opportunity for downtown revival remains vibrant, market based housing rooted in building conversions and new construction.
- A Saskatchewan-style end to rent control is the way to go.
- To ease fears, the province could create a temporary income-tested transition program or adjust existing welfare programs to provide assistance or subsidies to the small segment that might be affected by the removal of rent control.
- Using the precedent of Milwaukee, Wisconsin, which added 3,500 additional units in its downtown over the last 3 years, this has the potential to unlock over a half billion in new private investment over the medium term. This "free" money dwarfs all past public investment or subsidies in downtown revitalization.

CENTRE-VENTURE SPITTING INTO A HURRICANE?

By various measures, Winnipeg's Centre-venture project has been successful in reviving interest in the downtown's potential.

This small agency, formed in May 1999, operating independently of regular city departments, has been a pro-active government effort to jump-start downtown revitalization. Besides playing a vigorous advocacy role within the city government, it has become involved in pushing the reuse of derelict sites and buildings. It has helped push through zoning reforms and has provided input into other policies that affect the downtown. As well, it has pushed hard for property tax credits and rental-unit conversion subsidies.

From a perspective of sustainability, though, one might argue that these efforts are akin to spitting into a hurricane. Policy forces that are operating at a much more fundamental level have ravaged Winnipeg's downtown. A non-competitive tax environment produced an exodus of corporate headquarters that hollowed out the sophisticated services infrastructure in the city's core. Rules, regulations and by-laws stifle commerce. But the most obvious hurricane-force policy obstacle is rent control which effectively prohibits the high-value market-based housing that is reviving other city centres in North America.

Against that bleak, though not irreparable background, these well-meaning interventions should be seen as necessary second-best solutions that are far better than the older approaches that dumped money on the city through the Winnipeg Development Agreement to provide short-term stimulation. Still, a much more substantial impact is available from fundamental policy reforms such as lower taxes and ending rent control.

OPPORTUNITY THREE:

REMOVING BARRIERS TO ENTERPRISE

In November 2002, Winnipeggers were greeted with a national newspaper headline in the *National Post*– "Winnipeg most regulated city, survey finds."[30] For the country to read: "From shelling out the highest fees in the country for construction permits to sidestepping lengthy decrees about how one may use city parks, run a business, or throw a party, Winnipeggers appear to jump through a disproportionate number of legal hurdles."

Starting a new enterprise in the City of Winnipeg requires the negotiation of a complex web of by-laws and regulations that would intimidate anyone without the resources to consult a battery of lawyers and accountants. The Canada/Manitoba Business Centre lists these hurdles:[31]

- All businesses and home occupations must conform to zoning regulations.
- Owners or Tenants must obtain an Occupancy Permit or an Authorization Clearance from the Zoning and Permits Branch, Planning, Property and Development, located at 30 Fort Street.
- All businesses must pay a percentage of their premises assessed annual rental value to the Property Assessment Department, located at 457 Main Street.
- Businesses need not register to pay business tax; but City Assessors will levy it on their yearly canvass of premises. The Customer Service Tax Branch, located at City Hall, handles this chore.
- A by-law requires that 84 businesses and occupations – operations that "may pose problems related to health, fire safety, or environmental disturbance" – obtain a business licence. Examples include food-related trades and building maintenance and improvement businesses. Before obtaining a licence, they "may need one or more certificates from various civic authorities such as the Medical Health Officer." A number of trades must also post a bond of indemnity while others must carry general liability insurance. The details are available at the License Branch, located at 81 Garry Street.

A sampling of regulations that affect enterprises:

- Anyone proposing to sell or handle food may have to check their plans with the dozens of provincial agencies set up to scrutinize and authorize every sub-category of product imaginable.
- Eight Producer Marketing Boards and Commissions, each with its own regulations, also forbid or restrict competition in their respective foodstuffs.
- Anyone who proposes to sell alcohol has to face the Liquor Control Commission. An agency with quasi-judicial powers, it strictly enforces a bizarre web of regulations that dictate every detail of a premise's suitability. It also forces operators to purchase its liquor at monopoly prices.
- The province's Department of Consumer and Corporate Affairs licenses companies and individuals involved in direct selling to the public, such as door-to-door sales, telemarketing, fairs and exhibitions. They also license collection agents and register collectors, certify hearing aid dealers; register manufacturers and renovators of stuffed articles and authorize charitable organizations.
- The Department of Education, Training and Youth certifies all tradespeople and licenses barbers, hairdressers and beauticians. It also regulates instruction of any sort, including correspondence schools.
- The province of Manitoba's Taxicab Act, for instance, cartelizes the industry by limiting the number of licenses issued.
- The province's labour codes forbid new entry into dozens of building trades by allowing trade unions the privilege of allotting work.
- Dealers in forest products or furs have to register with Manitoba Conservation.

- Food-handling establishments need the imprimatur of the City of Winnipeg's Health Services, located at 33 Warnock Street.
- Home businesses are subject to a permit in place of the usual business tax and require zoning approval. The onus is on the individual to contact the License Branch.

These myriad barriers to enterprise, separately located for the applicant's inconvenience, are merely the City's share of the burden. Many other logical outlets for entrepreneurial energy, especially for those who have few assets to invest, have their own regulatory apparatus.

The occupational barriers outlined above are not within the City of Winnipeg's jurisdiction, but are included because any enterprise must conform to all these protocols on top of the City's. Each regulation may be defensible on its individual value, but when considered collectively, the total burden represents a considerable disincentive to business start-ups. Even a venture as mundane as a food-vending cart may take months of time for authorization alone.

In a world where technology and the Internet have created a home office boom, the City still expends considerable effort issuing letters mandating business permits and floor plans.

While the City is moving toward a customer-oriented operating culture, there is still plenty of room to go. It announced a few years ago that it had set up a one-stop desk to handle all the civic requirements for opening a business. As it happened, none of the elements described above had been diminished in the least. The one-stop desk was for information in order to help citizens negotiate the confusion of the City's regulatory process. The path was no less tortuous, just better lit.

A RULE DRIVEN WORLD

In light of the obstacles, it's surprising that so many people persist, and it's not surprising that so many people fail. Of course, no information is available on the number of enterprises that are never attempted or the plans that fold once the disincentives are discovered in practice.

In February 2001, a group of U.S. urbanologists published *Giving a Leg Up to Bootstrap Entrepreneurship: Expanding Economic Opportunity in America's Urban Centers*.[32] A case study of barriers to enterprise in four large U.S. cities, it found the following: **regulations rarely address performance or quality issues.** In almost no case did local ordinances address performance, quality, safety, or public health in a direct way. While ordinances were enacted with the stated purpose of protecting public health and welfare, the specific mandates and requirements had little relationship to performance. Requiring a certain number of hours of instruction in hair care, for example, does not guarantee the quality of the service provided. Moreover, inspectors could cite business owners for infractions of ordinances even though the infractions may have little impact on the quality of the service provided.

- Regulations tend to focus on compliance with rules rather than on performance. In most cases, whether regulation was at the state or local level, regulations focused on achieving set rules and benchmarks, not on performance. Often, a business could easily provide a high quality product to a satisfied customer but be thwarted by the maze of local regulations. At the state level, this was evident in laws regulating nail salons and hair braiding where the state mandated detailed, largely irrevelant criteria in order for the operators to qualify for a licence. On the city level, rules regulating street vending and home-occupations were embedded in local zoning codes without reference to positive effects from the business.
- Regulatory approaches are diverse. Dallas, with the exception of taxi-cabs, appeared to have the least onerous regulatory environment, with little city-level occupational licensure. Most regulations were focused on planning and zoning permitting. The City of Atlanta, on the other hand, was involved in detailed regulation of dozens of occupations. Street vendors, while legal, face a labyrinth of micro-management from the city, which allocates space on a first-come, first-serve basis.
- Regulations can significantly complicate business ownership. New business owners often have to become experts in subtle legalities regulating their specific businesses.

- Regulations favour existing businesses. The very nature of regulation favours existing businesses since, in almost all cases, licensing created an entitlement to legally operating the business. Once a taxi-cab company received a medallion or Certificate of Convenience and Necessity, the likelihood the licence would be revoked was small. Meanwhile, licensing and other requirements created significant obstacles to new entrepreneurs less familiar with the regulatory system.[33]

The authors point out that the most adverse effects of these strictures affect the poorest of citizens concentrated in urban cores, precisely the constituency most likely to revive blighted areas if allowed economic entry. *"Entry-level businesses that require relatively little education and skills are the most likely venues for revitalizing poor, urban neighborhoods through neighborhood-based entrepreneurship,"* write Staley et al. *"These include occupations such as taxicabs, street vending, in-home catering and food preparation…"*

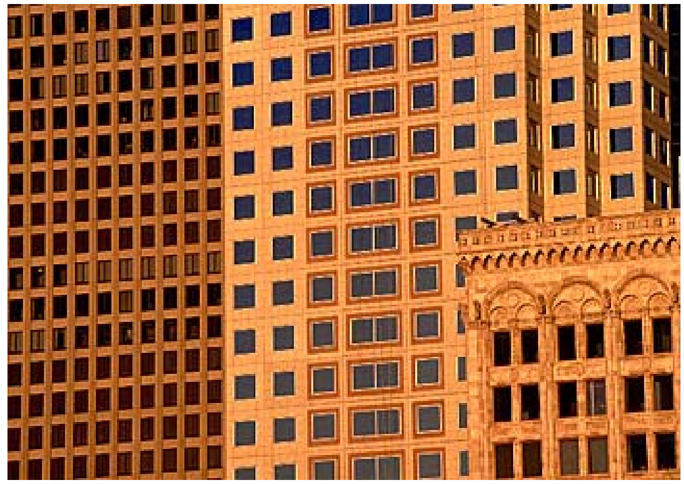
A NEW COMMITMENT TO ENTREPRENEURSHIP

None of the four cities studied had undertaken a thorough regulatory reform, but, as in Winnipeg, were attempting to mitigate the harmful effects of over-regulation with targeted funding pro-grams. In Boston, as in Winnipeg, the one-stop desk was restricted to referrals.

The authors recommend these principles as the basis of genuine regulatory reform:

- *"Cities should focus regulatory policy on performance rather than rules.*
- *Cities should work to reduce the complexity of the regulatory and business start-up process. Many are moving in this direction through one-stop-shops for permitting and licensing. But cities should also consider eliminating entire sections of regulatory codes that have little bearing on performance. Following the precedent of Indianapolis's regulatory review commission, cities should consider a systemic overhaul of local regulations. City councils could accomplish this by passing an ordinance that effectively repeals all regulations pertaining to occupational licensing and business regulation by a certain date unless council, on advice from its regulatory review commission, re-authorizes the provision.*
- *Cities should avoid extending existing regulatory rules to new occupations and businesses. The emergence of limousine and jitney services in Boston and elsewhere has increased choice and improved mobility for residents and visitors. This growth would likely not have happened had the regulatory approach to taxis been extended to limousines.*
- *City and state governments should shift the burden of proof onto regulators to demonstrate the effectiveness and usefulness of rules and licensing requirements. Cities increasingly adopt rules that virtually eliminate part-time drivers and niche companies in the taxi industry. Proponents of these rules should demonstrate that the proposals will, in fact, lead to a desired policy goal while fully accounting for costs and unintended side effects. Similarly, city governments should adopt the position that regulations should be transparent: the intended outcome should be tied directly to the regulation proposed.*
- *City and state governments should continue their efforts to streamline business permitting. The increasing accessibility of the Worldwide Web and Internet can significantly reduce the time and labour costs involved with obtaining permits and fees. Businesses, in principle, could apply for permits on-line. City staff could be assigned as caseworkers to each application received in a queue. Caseworkers would be responsible for managing the application with the goal of permitting the business as quickly as possible. Similarly, licensing tests could be administered on-line, providing 24-hour, seven-days per week access by prospective applicants.*[34]"

Given the fiscal pressures faced by the City of Winnipeg, it would not be unreasonable to expect that licence and permitting fees are a source of revenue, that is, prices charged exceed their cost of delivery. Again, some will argue this approach involves, in some cases, an invisible nuisance factor where the extra costs of delays and red tape form an extra disincentive to economic activity in the city. Modern practice brings a customer-service dimension to these activities. High-performance cities guarantee short turn-around times and quick service. They actively minimize red tape and charge on a cost-recovery basis. They recognize that this strategy produces a superior business environment with spin-off jobs and investment. From this perspective, the city should be eliminating any revenue-generating dimension from its licence and fees activities.



Recommendations for Removing Barriers to Enterprise:

The City should work to help unleash more entrepreneurial activity in the inner city.

Specifically:

- Excessive levels of regulation discourage and prevent entry-level businesses from taking root in the inner city. Most of these impediments have no real value beyond the creation of work for the regulators, and should be replaced with measures that simplify and encourage entrepreneurship. The City should work to help unleash more entrepreneurial activity in the inner city.
- Create true one-stop shopping for permitting and licensing.
- Streamline business permitting and provide on-line service with guaranteed response times that are measured and publicized. Tie employee compensation partially to performance with rewards for fast service and penalties for non service.
- Unleash the taxi industry by asking the province to end the Mantioba taxi board's power to restrict market entry. Regulation would focus on safety and hygiene.

OPPORTUNITY FOUR:

MAKE DOWNTOWN A SAFE PLACE BY POLICING FOR RESULTS

A widely held perception of Winnipeg's downtown is that the area is unsafe. One reason for this is the dilapidated condition of some buildings, many empty because of broader policy conditions such as the transfer of shopping and office activities to other parts of town. Reasons that are malignant include rent control and clumsy tax policies. Stymied residential conversion and the presence of parking meters create empty streets in underpopulated or to be developed areas of the Exchange District, heightening the perception of danger when the occasional lone pedestrian happens to be a panhandler, vagrant, or drunk drifting in from the skid row area on Main Street.

In fact, much of the inner-city area is no more dangerous than the suburban areas. But perception is reality.

No single issue has more impact on the success of a metropolitan area than the maintenance of public safety. It is crucial to families, when they consider where to obtain housing, and to businesses, when they decide to invest capital in a neighbourhood, that an effective police force is in place to protect them from criminal predators.

The City of Winnipeg could substantially improve its policing function.

The special status the police force enjoys in the public eye has largely exempted it from objective scrutiny, from the task of putting the thin blue line under the measuring rod of costs and benefits – the basic tool of public policy analysis. How effective are they? Are they doing the job well? Are we getting our money's worth?

A PERFORMANCE REVIEW

There is evidence that the Winnipeg Police Service has more than its share of internal politics and other problems. The service has seen several police chiefs, often brought in from outside, come and go. Routine work issues frequently make newspaper headlines. From an effectiveness perspective, the force performs poorly despite having staffing resources that exceed those available to most other major Canadian cities. In spite of these facts, it is common to hear that the force lacks sufficient manpower, that not enough resources are allocated to the Winnipeg Police Service, and that we have more crime than other cities. These contentions are easily disproved. The data on

*Total number of criminal code violations excluding traffic

** Percentage of criminal code violations that result in a charge and/or conviction

City	Police Officers per 100,000 population	Crime Rate* per 100,000 population	Clearance Rate**	Police Cost Per capita
Thunder Bay	195	8,900	49%	$176
Regina	181	14,769	37%	$193
Toronto	181	5,290	44%	$228
Winnipeg	176	10,377	30%	$181
Montréal	171	7,234	28%	$202
Saskatoon	163	12,891	39%	$160
Halifax	158	9,249	25%	$177
Victoria	150	10,594	31%	$274
Edmonton	149	8,377	44%	$201
Calgary	140	7,115	36%	$177
Vancouver	138	11,210	16%	$224
Ottawa	135	5,680	22%	$169
Québec	129	5,207	29%	$179

police costs per capita indicate otherwise. In fact, the Winnipeg Police Service ranks fourth in manpower per population in Canadian cities; our financial commitment to the police force sits just above the Canadian average, and our crime rates, while higher than some other urban areas, are hardly overwhelming[35]:

Note the clearance rate – the percentage of criminal code violations that result in a charge and/or a conviction – for offenses in Winnipeg.[36] At 30 percent, it sits far below the clearance rate for comparable urban centres on the Prairies, despite the allocation of more manpower and more budget resources than in Saskatoon or Calgary. Winnipeg ranks fourth in crime rates but 17th in rates of solving them when compared with the country's 25 major urban areas. And that record is not a one-year statistical fluke; it's consistent over time, although it has shown a slight improvement over the last two years. As a statistical performance measurement of the Winnipeg Police Service, these numbers indicate that we are not receiving a level of police protection in Winnipeg that is commensurate with the level of resources applied to the task.[37]

Why is this the case? No doubt, frontline police officers in Winnipeg are just as dedicated to their crime-fighting duties as their counterparts in other cities and just as well trained and intelligent. It is possible to speculate the reasons for the relatively poor performance of the Winnipeg Police Service. A common complaint from their ranks is that their time is often applied to tasks that might better be performed by social workers.

"The zero-tolerance policy for domestic abuse, for instance, and the subsequent tripling of complaints in that category, or enforcing politically correct smoking ban policies, divert a lot of their energies from fighting crimes more traditionally considered their bailiwick."

Some officers also cite the passage of overly tolerant laws that limit their ability to investigate and prosecute crimes, especially those that involve juvenile offenders or underground economy offenses such as prostitution and the use and sale of illicit drugs. Others object to lenient sentencing practices that allow career criminals to return too quickly to the streets. While these considerations may be valid, they are essentially questions that require political action at the provincial or federal levels.

TWO-OFFICER POLICE CARS AND OFFICERS AT DESKS

One problem that can be addressed on a local level, though, is the inefficient use of existing resources due to bureaucratic practices involving the use of manpower. For decades, police unions in North America have battled over the issue of whether one officer or two should be deployed in police cars. This issue remains a contentious one, and the pros and cons of the policy are discussed in detail in a Frontier Centre Backgrounder on the subject.[38]

Most cities in Canada mix deployments and require two-officer police cars only during high-crime hours. The City of Winnipeg's policy tilts in the direction of two-officer police cars. Its contract with the Winnipeg Police Service mandates a policy of deploying only two-officer police cars between 7:00 p.m. and 7:00 a.m. Between 7:00 a.m. and 7:00 p.m., one-officer cars may respond to any call except those considered high priority such as a bank robbery or a break-and-enter in progress. If a two-officer vehicle is not available, two one-officer vehicles must respond to the call together.

This requirement limits the ability of police administrators to allocate resources most effectively and may be one reason the City achieves relatively poor success rates in clearing crime, despite the second-highest per capita police staffing in the country. In other cities, where police are dispatched on "hot" or serious runs when a greater risk of danger, two or more vehicles are dispatched at the same time and the first officer on the scene waits for reinforcements. A more flexible policy toward using one-officer cars in Winnipeg would increase coverage, reduce response times, use resources more effectively and create a more attentive police force, with no loss of safety for the officers.

The efficient use of manpower resources has long been a bone of contention with the Winnipeg Police Service, where a sense of provider capture seems, as in much of the City's workforce, to have permeated the culture.[39] As the table above illustrates, the City of Calgary employs about the same number of police officers per capita as the City of Winnipeg, but its policing costs are 40 percent lower. The Winnipeg Police Service's officers are deployed in these proportions: 37 percent on street patrol, 18 percent in detective units and 45 percent in administration.[40] These figures suggest that there is ample scope for reducing the number of officers occupying desks and increasing the number of officers patrolling crime hot spots on the streets.

REAL COMMUNITY POLICING

That, after all, is where the citizens of Winnipeg are seeking a more effective police presence, on the streets. Community policing in Winnipeg has not lived up to its potential. Many of its budget resources are invested in bricks and mortar, not in frontline crime fighting. The Winnipeg Police Service has eight division offices and ten community police centres scattered throughout the city; most of the latter close at 8:00 p.m., just as typical high-crime hours are approaching. Yet the level of commitment to keeping officers on street patrols, especially in high-crime areas in the city's core, has never been clear,[41] and neighbourhood associations are often forced to rely on their own resources for protection.[42] City Councillor Harvey Smith angered the police with humour in 1999 when he posted fliers in his ward that offered a $10.00 reward to anyone who spotted a foot patrol,[43] but to residents who suffer perpetual and sometimes deadly delays in accessing policing services, it is no laughing matter.

Why the reluctance to move resources to the street level where they are needed, and the continuing investment in desks and offices? The eminent sociologist, James Q. Wilson, explains it this way:

"Foot patrol, in [the eyes of many police chiefs], had been pretty much discredited. It reduced the mobility of the police, who thus had difficulty responding to citizen calls for service, and it weakened headquarters control over patrol officers. Many police officers also disliked foot patrol, but for different reasons: it was hard work, it kept them outside on cold, rainy nights, and it reduced their chances for making a "good pinch." In some departments, assigning officers to foot patrol had been used as a form of punishment. And academic experts on policing doubted that foot patrol would have any impact on crime rates; it was, in the opinion of most, little more than a sop to public opinion.[44]"

In his groundbreaking "Broken Windows" study of foot patrols in high-crime Newark, N.J., Wilson proved them wrong. Their very presence, with or without an increased incidence of arrests, promotes a sense of public order. That change in atmosphere enables the peaceful, law-abiding segment of the community to recapture whole neighbourhoods.

"Residents of the foot-patrolled neighborhoods seemed to feel more secure than persons in other areas, tended to believe that crime had been reduced, and seemed to take fewer steps to protect themselves from crime (staying at home with the doors locked, for example). Moreover, citizens in the foot-patrol areas had a more favorable opinion of the police than did those living elsewhere. And officers walking beats had higher morale, greater job satisfaction, and a more favorable attitude toward citizens in their neighborhoods than did officers assigned to patrol cars. . . .[Foot patrols conquered] the fear of being bothered by disorderly people. Not violent people, nor, necessarily, criminals, but disreputable or obstreperous or unpredictable people: panhandlers, drunks, addicts, rowdy teenagers, prostitutes, loiterers, the mentally disturbed.

What foot-patrol officers did was to elevate, to the extent they could, the level of public order in these neighborhoods.[45]"

The Winnipeg Police Service is undoubtedly aware of these criminological truisms, as they are hardly news. They demonstrated as much when they did such an effective job in cleaning up downtown Winnipeg for the Pan Am Games.[46] What they need to do, if we are to have any chance of making the core area a decent place to live, is to perform that task consistently, all the time.

A regular police presence in public spaces reduces opportunities to commit crime. Milwaukee, Wisconsin, for instance, decided to put traffic cops back on its downtown intersections, even though sophisticated signals were doing the job. Merchants had a perceived problem with teenagers congregating on downtown streets after school. The restored traffic cops were really there to make shoppers, commuters and office workers feel more secure, and they did. The calming effect of visible agents of order was both real and unintrusive.[47]

ELIMINATE GRAFFITI

The issue of graffiti illustrates that the construction of an atmosphere of public safety, a necessary condition of a vibrant economy, depends not only on overt crime-fighting but on perceptions of order. James Q. Wilson quotes Nathan Glazer, to the point that the proliferation of graffiti, even if inoffensive, confronts the peaceful user of common space "with the inescapable knowledge that the environment he must endure for an hour or more a day is uncontrolled and uncontrollable, and that anyone can invade it to do whatever damage and mischief the mind suggests." [48] To counter such anxieties, the City of Winnipeg should dedicate the resources to erasing graffiti quickly, within 24 hours if possible, and ask the Winnipeg Police Service to prosecute offenders more aggressively.

"Public opinion polls regularly report that the number-one need people want met by civic government is public safety."

No challenge for the City of Winnipeg is as formidable as making its Police Service an effective agency for ensuring that condition.

Recommendations for improving safety in the downtown area:

People will not live and work downtown unless public safety is assured. Current community-policing policies need to be revised to stress street-level crime fighting, and to reopen public areas for the use of peaceful citizens.

Specifically:

- Embrace broken windows policing, with zero tolerance for minor crime.
- Require the removal of all graffiti within a 24-hour period.
- Implement performance pay tied to improved crime-clearance rates.
- Increase on-street presence by shifting resources from behind the desk by embracing civilian administrators and overhauling the 24 hour two-officer police car policy.
- Review and reconsider justice policies that have good optics but divert police resources away from traditional crime fighting activities, particularly zero-tolerance policy for domestic abuse and non-smoking bylaw enforcement.

OPPORTUNITY FIVE:

TRAFFIC AND PARKING POLICIES

In 1995, the City of Winnipeg and the province of Manitoba convened a series of public forums called Transplan 2001, a consultation intended to frame policies for Winnipeg's traffic and transit services. Most of the panellists were hostile to people who drive cars. Their focus centred on ways to discourage automobile use and on ways to enhance conditions for pedestrians and bus riders. Although those parties no doubt deserve consideration, 90% of Winnipeg's population relies on automobiles. If it becomes a nightmare to drive and park downtown, most of that vast majority will avoid it. It has, and they do.

Successful cities facilitate the conduct of commerce and create nearly frictionless markets by concentrating people and products. "Physical proximity is enhanced by the design of cities and the variety of transportation options. Cities support intricate grids of streets, alleys and sidewalks that allow easy access of workers to jobs, suppliers to producers, customers to shops, firms to markets, diners to restaurants, worshipers to churches, moviegoers to theaters, and so forth. . . . By accelerating the pace and lowering the costs of both business and personal life, cities provide a setting that naturally generates wealth."[49] If we ignore that dynamic and make mobility more difficult, we discard that advantage.

Resident pioneers could receive street parking permits as an incentive

One-way streets came into fashion in Winnipeg in the 1950s and 1960s, in line with the prevailing philosophy that better traffic management would speed people through downtown faster. In the 1990s, the City-directed easement of the Portage Place downtown shopping mall, which shut down parts of two of the one-way streets, and the construction of the Graham Avenue Transit Mall, which closed blocks of one of the few remaining two-way streets, complicated a journey downtown by automobile. Combined with rush-hour parking restrictions and heavy penalties for infractions, the reduced street grid caused some frustrated shoppers to abandon the downtown entirely.

PARKING

The aggressive enforcement of parking-meter rules, rush hour street-parking bans, confusing one-way streets and peak-traffic turning bans make the downtown driving experience complicated and unpleasant.

"Most people do not use buses to shop, and they prefer the convenience and superior economics of driving to suburban malls that have free parking."

Parking meters, combined with aggressive enforcement, fines, and vehicle tows, further discourage occasional downtown visitors. In many parts of the core, particularly the west portion of the Exchange District area, these factors have produced large sections with empty streets. Meters produce little revenue, but they do generate an unintended effect: fuelling perceptions of the area as a dead, lonely, and slightly dangerous space.

It is difficult to quantify the negative impact of sub-optimal parking and traffic management policies, because the lost opportunity costs in business and service revenue are not visible. But it is clear that a more organic view of the downtown's welfare would consider whether the reported benefits might exceed the loss of good will that parking revenues produce. In 2001, of the roughly $10-million the City reaped from all its revenue sources of this kind, the largest portion by far, $4.3-million, came in the form of parking fines, with parking garages and street meters accounting for the balance. When the expenses of operating these facilities, and over $1.5-million in police salaries and overtime required to capture the $4.3-million in fine money, are deducted, the City netted about $5.5-million. (This does not include the millions in towing and impoundment fees that are levied on top of the fines.) This small amount, less than five percent of City revenue that year, comes with a high price tag in public relations damage and, more obliquely, less commercial activity and lower commercial building values, which means falling property tax revenue. By encouraging rational avoidance of the downtown area, the City's parking policies may actually be producing a loss in total revenue.

The City continues to play with plans to create a municipal parking authority, but combining several parking-related functions in three separate departments into a special operating agency may merely advance the problem. The benefits – increased customer service and efficiency through the elimination of overlaps – do nothing to address the heart of the policy conundrum. The dollars involved are small relative to the payback from a downtown renaissance, and a greater emphasis on focused incentives to maximize parking revenues ignores the broader impact on the city centre. In 2001, the City considered a proposal to raise an extra $100,000 a year by making parking meters provide 48 minutes of parking time for the same money that now buys an hour.[50] Making punitive policies more efficient and more expensive is a move in the wrong direction.

A DOWNTOWN FRIENDLY PARKING SYSTEM

Las Vegas provides free parking in its core area in giant multi-storey car parks. Duluth, Minnesota, keeps meter rates low and programs meters to allow a 20-minute grace period before the violation flag pops up. Edmonton has relaxed violation enforcement and started a "first time warning" program . It has reduced parking restrictions near residences. It has also converted one-way corridors to more friendly two-way streets. Milwaukee has done the same and has also removed rush-hour parking bans and, more dramatically, pulled down an elevated expressway that cleaved through its centre city.

A simple focus on meter revenues and fast traffic flow harms the wider interests of the community if a broader, more valuable goal is to create a vibrant and prosperous downtown.

> "Winnipeg needs to take a more imaginative and dynamic view of parking-related functions."

It would temper the city's focus on creating an efficient parking revenue business and remove the dead hand of previous traffic planners from much of the core area. The end of rush-hour parking bans and unnecessary turning restrictions would save police time involved in the tedious and unpleasant task of levying traffic fines. Day workers may require an extra minute or two to leave the core area in their vehicles, but the trade-off would consist of a more attractive downtown experience for car owners as well as a larger market for business and shop owners in the inner city.

The prime role of parking meters would return to that of a mechanism for encouraging turnover in high-traffic areas, not a revenue source. The city might consider removing hundreds of parking meters and saving their associated operating costs in favour of a general two-hour parking limit to deter on-street parking by downtown workers. To support the goal of residential conversion, the ultimate best use of the historic and architecturally interesting Exchange District, **the city should institute a street-permit program for cars owned by residents who colonize these meter-liberated areas.**

Residents would be able to purchase inexpensive permits for year-round street parking. The presence of vehicles everywhere would, as many visitors to European cities can attest, eliminate the negative psychology that pervades an empty, windswept street.

The final piece of a more dynamic approach to parking would be to sell the City's low-return parking garages at the Centennial Library, the

Civic Centre and Winnipeg Square, and to use the revenue to build more parking garages in the area. The City of Edmonton has converted one-way streets and avenues back into two-way thoroughfares, and there is free after-six metered parking once more on most streets. Winnipeg should do the same.

Parking and Traffic Policy Recommendations

Simple policy changes can enhance the downtown economy and community:

- Make the downtown area more car-friendly.
- Convert one-way streets to two-way avenues where possible.
- Eliminate meter parking in low-use areas and replace them with two-hour on-street parking.
- Institute street parking permits in low-use areas such as the west end of the Exchange District as a carrot for new residents in warehouse conversions.
- Remove rush-hour turning restrictions.
- Remove rush-hour street-parking bans.
- Sell city parking garages and reinvest the proceeds in new parking facilities.

"Rather than rethink service delivery, the order of the day has been fare increases and service reductions that make Transit even less competitive with the car."

OPPORTUNITY SIX:

BETTER TRANSIT

While the car is king when it comes to surface transportation in an easy-to-travel-in city such as Winnipeg, opportunities exist to make the bus system more convenient and less expensive to use. Winnipeg Transit's market share has continued to decline as activities leave downtown and car ownership continues to grow. Transit has struggled with traditional public-sector approaches to deficit control[51].

Most of the public transit industry outside the United States and Canada has moved to transit systems based on the concept of a purchaser-provider split. European cities such as London, Copenhagen and Stockholm operate transit systems in which a public agency specifies service levels and then purchases them from competing vendors who provide the service, typically through multi-year contracts. In short, the service is publicly financed, but competitively delivered by a mix of either private or in-house providers. Routes that can not cover their operating costs receive public support through a system known as least-cost subsidy, where bidders offer to operate the service specified in exchange for a subsidy. The one who arranges to deliver the service for the lowest subsidy wins the contract.

By splitting transit production from finance, these cities have created strong incentives for efficiency that do not exist in the traditional single-provider model found in Canadian cities. Transport for London, the public agency that manages over 6,000 buses in the British capital, the world's largest, offers a good example. Between 1970 and 1985, bus costs per vehicle kilometre had risen by 79 percent. In response, the Thatcher government passed legislation to begin converting the sprawling system into a competitive model. Public operators were reorganized into separate commercial entities and, along with private operators, were required to submit bids to London Transport.

"We started small and learned from our mistakes as we went along," says Nick Newton, a top manager at London Transport who oversaw much of the conversion. Each year, a larger proportion of the system was subject to competitive bidding. The New Labour government of Tony Blair completed the conversion in 2000. One issue was creating a level playing

field between public and private operators. Initially, in-house operators won six of the 12 routes submitted to competition. But an internal audit eventually showed that three of the public bids were below cost, having failed to properly account for capital costs and the need to generate a return on investment. Today, all operators are required to include a minimum return of 2.5 percent of capital in their bids to ensure sustainable operations.

Contracts are for three years and contain a simple performance criterion. If the operator can demonstrate a price reduction of five percent, the contract is extended for two years. These incentives have produced spectacular results by traditional public-sector standards. At first, all routes required a public subsidy; today many are subsidy-free net profit makers. Newton cites London's route 24, which originally covered 85 percent of its operating costs. Today, with lower costs and better service, it generates 125 percent of its operating costs. On a system-wide level, the costs per vehicle kilometre fell by 51 percent from 1985 to 2000. This allowed the public system to expand service, measured in vehicle kilometres, by 32 percent, while reducing operating and capital expenditures by 35 percent. Public usage, predictably, is increasing sharply. Had costs continued to rise at the inflation rate, the agency would have spent an additional US$11-billion.

The competitive model has strong incentives to use capital and labour more effectively. It pays drivers well – sometimes offering them profit sharing – but requires them to work smarter. It has peeled away layers of management overhead and it uses fewer building and maintenance facilities.

Countries in Scandinavia have adopted the competitive transit model as well.[52] Denmark's parliament mandated it in 1989, converting Copenhagen's entire bus system by 1995. By 1999, cost per vehicle kilometre had been reduced by 24 percent, saving US$400-million. After years of decline, higher service levels in the Danish capital have led to a nine percent rise in ridership. In Stockholm, Sweden, all buses and rail services were converted to competitive tendering by parliamentary mandate in 1991. Ridership is at a record high; costs per vehicle kilometre have fallen 20 percent, with a saving of more than US$1.5-billion since.

Over the past two decades, various countries have established policies to shift the production of transit services into a competitive environment. Despite multiple providers, the resulting systems are seamless, with complete fare interconnectivity. Marketing is handled by the tendering agency, which ensures that all services are operated, from the perspective of customers, as part of a single, unified system. Without exception, the results have been significant cost savings, a quantum leap in efficiency, increases in ridership and, in some cases, even fare reductions.

> "A better transit system will benefit the entire city, as well as the downtown."

Assuming other policy roadblocks to residential conversion are handled eventually, it is still likely that many residents will continue to own cars. A better transit system with more frequency and lower fares is one way to compete with market demand for cars in the more densely populated city centre. It will also make the area more attractive to non-car owners.

Better Transit Recommendations:

There is substantial scope to lower fares and boost service with a more transparent transit model:

- Move to a European style competitive transit system as found in cities like London and Copenhagen, Denmark.
- Split the system into several districts and purchase services from competing bus services.
- The province should make its subsidy to Winnipeg Transit conditional on moving to a competitive "least-cost" subsidy system, to cover the cost of services provided below break even that are purchased from competing suppliers.

OPPORTUNITY SEVEN:

REINVENTING CITY GOVERNMENT

Many Winnipeg residents view their municipal governance as a mysterious process characterized by high costs and a lack of responsiveness. Part of this is Manitoba's method of funding education which relies heavily on property taxation. This has overshadowed the fact that there has been substantial progress at City Hall. Quiet changes and improvements in city management are reducing costs and improving services. The size of management and the workforce has been downsized during the last few years, with an ageing workforce that lends itself to reductions based on attrition. Several operations have been converted to more autonomous and flexible special operating agencies, which put them more on a business footing, with more transparent accounting practices and a more specific customer orientation. Despite these promising developments, Winnipeg still needs to improve before it can be ranked as a high-performance city.

The term "high performance" is vague but might be concretely defined as the achievement of high levels of transparency, neutrality and separation in the day-to-day operations of municipal government. Transparency means that services are defined in terms of outputs (actual service levels), not inputs (what is being spent by the agency). Neutrality requires that all delivery options are considered whether they are in-house, using fully loaded costs, or outside suppliers, such as private vendors or volunteer groups. Finally, separation means that elected officials focus on acting as a board of directors, setting the overall vision and determining service levels. However, they have no involvement in the day-to-day operations or the details of service delivery.

Municipal services – the provision of water and sewers, the maintenance of streets and public transit and the protection of citizens from crime – directly affect people's lives more than any other level of government. It is therefore most important that they be delivered in the most effective way with the most rigorous attention to standards and quality.

"High-performance cities implement sophisticated systems to measure costs and provide the incentives for excellent services."

Designed correctly, they can produce a win-win environment, where internal service providers become just as competitive as private vendors can. They do this by focusing the organization on creating results, freeing the workforce from the rules and bureaucracy that weigh down traditional city organizations, lowering administrative overheads and providing incentives for excellence by tying superior performance and service to compensation bonuses and rewards.

There is no shortage of high-performance cities that have created excellent municipal services from which Winnipeg, and the provincial government, which controls The City of Winnipeg Act, can learn. The U.S. cities of Phoenix, Arizona, Sunnyvale, California, and Indianapolis, Indiana, are examined and considered below, as well as municipal government highlights from New Zealand, where a Labour government implemented one of the most vigorous legislative frameworks for high-performance cities in the world in 1989.

THE PHOENIX MODEL[53]

In a half-century, Phoenix, Arizona, increased its population from 50,000 to 1.2 million. During the 1990s it was the second-fastest growing city in the United States. What, besides affordable air conditioners, explains the emergence of this dynamic metropolis in a hostile and barren place in the middle of a desert?

One reason has been the city's strategy of pursuing excellence in its municipal operations. In 1994, Phoenix won the prestigious Bertelsmann Foundation award for the best-managed big city in the world. The award recognized the innovative nature of the city's municipal government and its constant commitment to improving the cost performance of city services.

Phoenix spawned the competitive model that was eventually adapted so successfully in Indianapolis. Popularly dubbed the "Phoenix Model" in the literature of high-performance government, it sets up teams of managers and employees who bid against private companies to provide services.

Moving city people out of the traditionally sleepy, low-performance government environment into a competitive, results-oriented framework forced huge productivity gains. In fact, municipal work teams now generally outbid big private-sector companies such as Laidlaw and BFI for garbage-collection contracts. The real cost of trash disposal has fallen more than 50 percent per house since the competitive model was introduced in 1978, with savings passed on to citizens in the form of lower taxes.

The Phoenix Model teaches that a competitive framework can liberate city workers from oppressive bureaucratic thinking and structures and enable them to produce high-quality services at falling prices. That surprising outcome is possible if you follow the cardinal rule of high-performance government – design the system to focus on results, not on process. The City of Phoenix produced a full range of services for its 1.2 million customers with a highly paid work-force of about 12,000 in 1998.

Another lesson is found in Phoenix's city charter, the legislation that outlines how the city is governed. Section 4 states clearly that elected officials must have no direct involvement in the administration of the city. In fact, if they do, they are to be removed from office. They act, instead, as the board of directors, which defines the vision, and direction of the city, the "what" of the organization. The "how" is left to a city manager, who has considerable freedom to deliver the vision in the most efficient way possible. If that doesn't happen, the manager is replaced.

This clarification of roles reduces confusion. Excellence in service delivery and a focus on performance are at the heart of a thriving city, along with clearly defined roles for elected officials and management.

MEASURING CIVIC PERFORMANCE[54]

A prior condition to improvement of any service is an accurate measurement of its current status. The City of Sunnyvale, California, has learned to evaluate the performance of its employees from top to bottom. The results speak for themselves: high-quality services delivered at low cost to customers, financial stability and a satisfied electorate. All without cutting programs or eliminating staff. The process starts with elected officials whose primary functions are setting long-range goals and striking budgets, not tangling with administrative minutiae. The next step brings in program managers and department heads, led by an appointed city manager. Their job is to translate the long-range goals into quantifiable service objectives. This means breaking each objective down into specific tasks, setting the service levels to be delivered and establishing maximum allowable costs.

Under this set-up, the managers have clear indicators that will tell them if they are on track. "The budget has hundreds of ... such specific service targets," says a Sunnyvale spokesman. "Our operations are measurable. Managers are held accountable. If they do not meet these goals, explanations are necessary."

Here are some concrete examples:

- Respond to 911 calls within 5.6 minutes or less, 90 percent of the time.
- Maintain crime rates within the lowest 25 percent of cities of comparable size.
- Remove graffiti in parks or public buildings within two days.

"Sunnyvale uses specific performance targets – the city will process building permits within 24 hours."

In the case of road repairs, workers regularly assess the condition of the streets in quantifiable terms (the number of surface cracks, bumpiness, etc.). Every day, maintenance crews record hours and work performed on their time cards. Every month, the city manager and public works director determine if costs are in line. Occasionally, they send out an auditor to guarantee accurate reporting.

Because all city workers report how their hours relate to tasks performed, line managers soon know if the city is paying too much to reach a specified level of service. The process makes them results-oriented and cost-conscious: they have to make their numbers. As former City Manager Thomas Lewcock says, "We give our department heads lots of freedom to marshal their forces to get the best result. A typical government organization controls how people do the job, but doesn't hold them accountable for results. We've reversed that."

Annual budgets are calculated on the basis of 10-year projections. These are constantly being revised through the expense-tracking practices that are built into the system. The price tag for each task includes not just salaries, but office space and supplies, fringe benefits and equipment use. By fully allocating all costs associated with delivering a particular service, it is easier to make objective decisions about contracting out.

"Municipal unions redesigned the workplace and achieved the highest rate of pay increase of the United States."

What happens when a city measures performance? In 1990, when it compared its own costs with those of cities of similar size and type, Sunnyvale found that it was employing 45 percent fewer people to deliver most services. It was paying its workers more, but its operating budget and per capita taxes were still near the low end of comparable cities. Sunnyvale also consistently rates as one of the best places to do business in the United States.

Successful businesses regularly use a variety of methods to assess employee output. Their goal, of course, is profit and happy customers. Sunnyvale points the way to attaining a similar level of efficiency in public administration. It shows that public-sector workers can be just as productive as their private-sector counterparts – given the right system.

THE INDIANAPOLIS MODEL

Another city that has innovated extensively with service delivery is Indianapolis, which is roughly the same size as Winnipeg. It incor-porates Sunnyvale's framework for measuring performance and institutionalizes methods for rewarding it within the traditional civil service structure. It amplifies and extends the managed competition of the Phoenix model by empowering city workers with a bidding process.[55]

Managed competition is the process in which public service employees are asked to compete with private firms for the right to provide public services. It differs from complete privatization, or contracting out, because it does not assume that the private sector can provide services more efficiently than city employees can.[56] The secret behind the model's success is the ability of public employees and managers to challenge and redesign existing systems through new work procedures, flatter organization structures and new technology. The process involves teamwork and, more critically, a new, co-operative approach to labour-management relations.

City workers can be competitive with private sector vendors, but they need a framework that allows them to do so.

Municipal unions in Indianapolis helped redesign the workplace to dramatically increase the productivity of city workers. When union members had to price their bids and include all the overheads built in by past practices, they were able to identify both the sources of inflated costs and ways to become more efficient, with competitive cost structures. A major reduction in management overhead, a cost that would make the union non-competitive, precipitated the process. The unions began to drive the reforms from within.

Service went up, costs went down and union employment in core city activities increased. Unionized employees enjoyed pay increases of six percent a year through a gain-sharing system that gave them 25 percent of the savings they were able to achieve in the competitive model, the highest rate of public-sector pay increase in the United States. The City saved hundreds of millions of dollars and was able to lower property taxes while investing more than a billion dollars in rebuilding infrastructure and roads. The City, including its previously dying downtown, began to thrive.

NEW ZEALAND MUNICIPAL REFORMS

After a brush with bankruptcy in 1984, New Zealand proceeded to implement a vigorous reform program throughout its economy and, more notably, in its public sector. One of the Labour government's last major reforms was a thorough reorganization and restructuring of municipal government. From the perspective of creating a high-performance city, the most notable of these was to embed in the legislation a requirement that cities make their operations transparent and neutral and separate elected officials from day-to-day operations. The results in some cases led to efficiencies of up to 50 percent without reductions in services.

To create transparency, the new municipal legislative framework required that all activities be defined in terms of measurable outputs and be fully costed using private-sector accounting principles (GAAP or generally accepted accounting principles). Unlike in Canadian cities, New Zealand legislation required a clear split between the purchasers of the service and the providers of the service. This switched the role of government toward that of a purchasing agency, where services were defined carefully and outputs were purchased from either in-house providers or external vendors. To ensure the neutral treatment of in-house suppliers, internal services were required to pay taxes, particularly GST, just like private vendors.

More importantly, the opportunity cost of capital invested in city assets was recognized through the imposition of a capital charge. This required cities to identify and to value assets such as land and then pay the capital charge equivalent to the price of borrowing money from a bank when employing these assets in operations. The impact of the charge was to flush out underused assets considered non-critical to service missions. Municipal governments thereby incurred direct costs for wasteful use of capital resources, such as sitting on redundant land. The goal, in an output-focused model with a bias toward keeping service costs as low as possible, was to maximize efficiency by reducing the overheads that superfluous assets impose on operations.

The final broad feature of the New Zealand municipal reforms was the creation of a Phoenix-like separation between elected officials and the management and delivery of operations.

In some cases, the City Manager contracted out all services, since the system was neutral on the delivery method and had sufficient information to allow choices on the lowest cost delivery methods. Councils have no involvement in labour negotiations and only have the ability to fire the City Manager if results, which are now measured, warrant it. In each of the above best-practices cities, the result of creating transparency, neutrality and separation in municipal operations has been improved services and substantial cost savings. In addition, the focus on outputs and results that rewards the most efficient service production method lends itself well to the introduction of new technology, particularly e-government. The use of the Internet to pay bills and make service requests or register complaints on a 24-hour basis is an example of the innovations that are appearing first in the high-performance city models.

Recommendations for Transforming Winnipeg into a High-Performance City:

- Implement a managed competition model, where internal providers have the flexibility to bid against outside vendors.
- Give internal business units the freedom to redesign their workflows and delivery systems. This would likely mean the end of cumbersome internal rules and regulations, for example, around procurement.
- Identify and make management overheads transparent to create incentives to reduce them when they are costed into bids.
- Introduce gain-sharing to create strong incentives for internal providers to be as efficient as possible.
- Introduce performance contracts that are tied to measured outputs for all government managers. For example, provide a performance bonus if building permits are processed within 24 hours.
- Introduce a capital charge to create signals within the system that assets, land and facilities are not "free."
- Formally legislate separation between elected officials and day-to-day operations. City Council would employ only the City Manager, who would be accountable for measured results.
- The City Manager would become the employer of the workforce, with the freedom to adjust the framework in accordance with the goal of meeting performance targets, which are determined by Council.

How a Capital Charge Regime Would Benefit Downtown

Traditional government accounting frequently fails to give an accurate picture of the costs of operating agencies and services. One problem is to treat assets as a "free" good even though there is a cost to hold and maintain them. From an opportunity cost perspective, each asset could be sold in the marketplace and the funds deposited in a bank account to earn a minimum interest rate of return. To recognize this holding cost, more advanced governments simply place what is known as a capital charge on assets held by government agencies. To illustrate, a vacant lot that has a value of a million dollars would pay a capital charge of $50,000 a year if the rate was set at 5%.

If the valuable, but presently derelict, heritage buildings in the Exchange District had to pay a capital charge, the City officials responsible for maintaining them would face strong internal incentives to release and redevelop them. The goal would be to get rid of them as fast as possible to minimize holding costs. Faced with paying a capital charge and working on performance contracts that rewarded them for using capital efficiently, civil servants would be eager to end the policy-induced coma in this historic district. They would embrace real reforms: grandfathering zoning codes, removing parking meters, eliminating one-way streets and rush-hour parking bans, replacing old-style property taxes with a simplified flat tax on the land value. They would join the lobby pressuring the province to end the lethal policy of rent control, to enable building conversions and the construction of new rental accommodations in the area. As values rose, the incentives to release stifled properties would become even sharper.

The City owns several thousand pieces of property. The capital charge policy would shake low-use/high-value properties out of limbo and onto the market. A portion of the proceeds from this garage sale of assets could be deposited, for example, in a new endowment fund for the city's arts community that would generate a permanent income stream equivalent to the entire revenue now produced by amusement taxes. Over that, the proceeds would be used to pay down debt and reduce taxes. The City's property tax, still among the highest in Canada when the education portion is included, would fall. The impact would be to increase property values and create incentives to further improve real estate holdings. Higher values would attract more outside investment and stimulate a more dynamic environment of wealth creation and growth.

HIGH-PERFORMANCE CITY COMPARISON

Performance Principles	Neutrality	Transparency	Separation
New Zealand	Highest	Highest	Highest
United States			
- Phoenix	High	High	Highest
- Sunnyvale	High	High	High
- Indianapolis	High	High	Low to Average
Winnipeg	Low	Average	Low

OPPORTUNITY EIGHT:

DE-EMPHASIZE PROPERTY TAXES TO STOP PENALIZING DENSITY

This report now turns to the perennial issue of excessive property taxation in Winnipeg. Like the broader policy climate that determines Manitoba's relative lack of growth, the reasons for high property taxes in Winnipeg are complex, a combination of various policy choices that together have brought predictable results. However, like high business and personal taxation, which helped push much of the high-value corporate tax base to other cities…

"Winnipeg's over-reliance on property taxes to fund city services has effectively penalized the downtown by taxing density, the area's most distinguishing advantage."

Therefore, the downtown area would benefit from a sharp reduction in property taxes and a redesign of the application of the property tax – now based on the combined market value of land and its holdings – to simplify it and relate it to the unimproved value of the land. These reforms are discussed further below. The need for both reforms is indicated by a comparison of the relative size of Winnipeg's property tax burden.

LOWERING PROPERTY TAX

Several policy changes to reduce and de-emphasize this relatively high tax burden in Winnipeg are possible. Reductions could occur by:

1. Expanding the use of traditional revenue sources used by other cities.
2. Shifting education funding away from property taxation.
3. Redesigning operations to make Winnipeg a high-performance city, as discussed earlier.

Measure of Property Tax Burden	Winnipeg's Ranking
Effective property tax (% market value, two-story house)	Highest taxes in 13-city comparison
Property taxes relative to income	3rd highest in 12-city comparison
Property taxes per square foot	4^{th} highest in 14-city comparison
Combined property taxes and utilities	2^{nd} highest in 12-city comparison
Education related property taxes	Highest in 18-city comparison
Source: **2002 Canada Property Tax Comparison**, Frontier Centre, October 2002	

Cutting Effective Property Taxes in Winnipeg

There are several ways to reduce Winnipeg's high property taxes on both the revenue and expenditure sides. The easy way is simply to gain more of the traditional revenue sources used by other cities to broaden the revenue mix flowing to the city:

- Introduce a hotel tax to gain revenue from visitors who use city infrastructure.
- Introduce user fees wherever possible (i.e., garbage collection) to create incentives for minimizing and recycling household waste.

This additional revenue should be revenue neutral; it should be offset dollar for dollar by equivalent reductions in property tax.

Broader changes would require policy reform at the provincial level:

- Change School Funding. Over the longer term, say five years, phase out the school portion of property taxes as part of a broader structural overhaul of the public education system. This might be paid for by converting the provincial homeowner's rebate into direct funding for the school system, eliminating the school board structure of administration, and moving to a consumer-based funding system that is supported by tax credits and parent grants. Several precedents for a funding shift away from property taxes exist in other provinces and states.
- Managed Competition. Substantial room remains for more operating efficiency in Winnipeg's civic government by using successful models from other cities. Managed competition, for example, requires services to be exposed to competitive processes with in-house staff bidding against outside vendors to provide services. The experience of other jurisdictions that embraced this reform indicates that it brings dramatic reductions in operating costs and management overheads. It requires a shift to output-based measurement and accounting systems and substantial reform to the central agency culture of rules, regulations and process. These reforms will be best implemented by the provincial government, which has the power to embed the principles of high-performance government into The City of Winnipeg Act.

These reforms, plus a modest broadening of city revenue sources with user fees and a hotel tax, should occur before the idea of providing sales or income tax sources to the City is considered.

Broader policy reforms can dramatically reduce Winnipeg's property taxes

Creating an environment with growth and rising house prices will also stimulate a lower effective property tax rate, as the tax take shrinks in proportion to rising market values. On a broader scale, major reforms to create a more attractive environment for growth and investment, including expenditure reforms throughout the Manitoba public sector, and lower taxes in general, would shift the province as a whole back onto a high-growth path, with a concomitant boost to depressed urban market values.

With the right mix of reforms and leadership, it is conceivable Winnipeg could find itself with property taxes that are lower by at least 60 to 75 percent. A combination of a broader revenue base, the end of school property taxes, and operating efficiencies at city hall would result in dramatically higher property values, effectively slashing the property tax rate as a smaller property tax is divided into higher house prices.

Source: 2002 Canada Property Tax Comparison,
Frontier Centre October 2002

A PROPERTY TAX THAT DOES NOT PENALIZE DENSITY

The cost of most basic municipal services – goods such as streets, a water and sewer system, safety and fire protection – is a direct function of population density. When such services are delivered to a compact area with many people, the cost of supplying them to each household or business becomes much more affordable. "Property taxes negate this natural advantage of cities by punishing high density and dispersing the population . . . ."[57].

"Though property taxes have been justified by the well-meaning belief that all city residents should have access to the same city services at the same price, property taxes – which do deliver universal access – in the process warp city development. If everyone within a municipal boundary must pay the same price and have the same services, inner-city dwellers will be overcharged and outlyers undercharged. When the outlyers reside in a different suburban municipality, the subsidy become more egregious still: now the suburbanite pays nothing for the use of roads and other inner-city services. This subsidy from inner- to outer-city dwellers not only discourages society's most efficient form of development, it also destroys wealth. . . .

*Property taxes are a crude exercise in distributing wealth, and as often as not from the poor to the rich: from the frugal to the extravagant user, from the tenant to the landowner, from the public transit user to the automobile driver. . . **[P]roperty taxes are the single biggest destroyer of inner-city neighbourhoods, and they are highly regressive** – as destructive as any municipal government policy to the interests of those who most need low-cost services.[58]"*

The use of equalized property taxes as a method of financing basic municipal services shields all residents from the true costs of their activity:

"The Canadian city is a fantasyland in which 40 percent of services are paid out of general taxes, 45 percent are paid for by subsidies from higher levels of government, and citizens . . . haven't the foggiest notion of the costs of maintaining roads, collecting garbage, plowing snow and running the police. Ignorance of the way city governments get their money makes us passive consumers of local public goods . . . .The tax lobotomy is a simple operation. First you make property owners pay, and ignore users. Then you make properties with equal assessments pay equal taxes, regardless of the cost of getting city services to the property owners. The result is absurdly high taxes for inner-city residents, absurdly low costs for suburbanites and a city that sprawls instead of rises.[59]"

Winnipeg's high property taxation levels bring dubious returns. They create a "wealth destruc-

The tax capitalization effect: Why high property taxes reduce property values

One reason for Winnipeg's house prices is the city's high property taxes. High property taxes produce a dynamic that reduces real property values. They create what's been called the "tax capitalization" effect. When property taxes are high, a greater amount of capital that could be put to other uses must be reserved to pay the higher levies. The market expresses this incremental difference in the form of lower property values, especially when interest rates are low.

Compare the property tax of $2,500 a year on a house in Calgary with the property tax of $6,000 annually for an equivalent house in Winnipeg. The level of investment required to generate the $3,500 difference will vary with interest rates. At a rate of 10 percent, the difference is worth $35,000 to the Calgary homeowner. This is the amount of capital at that interest rate required to generate the difference (i.e., $35,000 X 10% = $3,500). The capital required to generate the difference increases dramatically as interest rates fall. At a rate of four percent, the difference is worth $87,500 (i.e., $87,500 X 4% = $3,500). Thus, when other factors are excluded, the same house in Calgary is worth nearly $90,000 more due to the property tax differential. Or, more simply, the house in Winnipeg would be worth nearly $90,000 more if property taxes were closer to the bottom line in other jurisdictions.

tion" effect because, in an environment where property values are falling, homeowners have no incentive to invest in upgrading or improving their properties.[60] Why add an extension or attach a double garage if falling values mean a loss of all the capital invested when the property is sold? Falling property values ,therefore, depress the wider economy by suppressing labour-intensive activities such as renovation and small construction.

SERVICE FEES BASED ON NEIGHBOURHOOD COSTS

Our present system, with its heavy emphasis on property taxes, has little or no linkage between the users and consumers of city services. Property taxes eliminate the compe-titive cost advantages of city centres.[61] People who live in the suburbs, in lower densities and with concomitantly higher service costs, pay less for municipal services than people in concen-trated, lower-cost neighbourhoods do.

Others escape paying for their use entirely by moving just outside the perimeter where less intense infrastructure requires substantially lower local property taxes. They simply work and consume services in Winnipeg without paying much for them. As these locations become more attractive, the cost per citizen of carrying urban infrastructure rises as operating costs are spread over fewer people. Taxes then go up and stimulate more flight to the exurbs. And the vicious circle continues.

Property taxes are levied without regard to the actual cost of providing services to an individual lot. Montreal economist Filip Palda recommends this solution: break the metropolitan area up into smaller units, or neighbourhoods, and have each area charge user fees for services and infrastructure based on local costs. Suddenly, areas with a denser population gain a powerful cost advantage over more dispersed ones. The mechanics and design of such a system would be simple to calculate using existing computer technology. Clearly, a sophisticated method of localized user fees would stop the distortions and unintended deterioration of Winnipeg that is caused by sprawl, and the tax capitalization and wealth destruction effects from over-reliance on revenues generated by the present property tax system. This simple approach would reverse the equalization principle of Winnipeg's Unicity and return to a model where there was a community of communities, and the cost of large-scale infrastructure was apportioned through sharing agreements based on costs.

Palda recommends that we restore fiscal sanity by moving to local user fees:

. . . "[I]magine what would happen if city life unfolded under a different accounting system. Under this system each city department would charge users for its service. Moreover, departments would be broken into neighbourhood branches, with those more costly to service paying more. A family would get separate bills for its garbage pickup, the water it uses . . . and maintaining its street. . . . With this accounting problem out of the way, citizens can begin to question their leaders on the value they get for money and demand that inner-city services – which by all rights should be phenomenally inexpensive – stop being phenomenally expensive.[62]"

Palda applies this logic in detail to every city service and concludes that a transformation of financing municipal services by means of user fees and neighbourhood costs is perfectly feasible. Many cities use a variety of such systems for funding services such as water and garbage pickup, but Palda estimates this revenue source at less than 15 percent of city budgets.

Most services can be financed by user fees. By basing the level of user fees on their fully loaded costs of production, operating costs become transparent and residents will learn valuable information about these services. For example, if prices are high because costs are excessive, they will reduce their demand. By their very nature, user fees create a powerful link between the consumer of the service and the need for efficient production of that service.

Few people will argue with the concept of maintaining accessibility to services for those who might have trouble affording them. Present systems subsidize all users regardless of income. For example, by providing free access to library services to all comers, high- and low-income residents alike receive a subsidy. User fees provide a basis for targeting subsidies by allowing the City to waive or reduce fees for low-income or disadvantaged groups. The selective use of user fees eliminates subsidies to those who don't need them. Suddenly, areas with a denser population gain a powerful cost advantage over more dispersed ones.

On a less localized level, one of the criticisms against the satellite communities that ring Winnipeg is that they can "free-ride" on the use of recreational facilities and amenities like libraries which are effectively subsidized by Winnipeg property taxpayers. To deal with this, the city could charge these "free-riders" a fully costed user fee that reflects the real cost of these services. For example, assume for non-residents that pool admission fees might double or triple, or that a library card may cost a hundred dollars a year. Such a system, requiring some proof of city residency to waive the full costed user fee, would not be difficult to implement.

A SIMPLIFIED PROPERTY TAX

A sharp reduction in the use of property tax as a revenue-generating method, accomplished by a shift to user fees, a shift to the output-based operating models found in high-performance cities, as well as a shift of the school portion of property tax to the province, would sharply reduce, but not eliminate, the need for a traditional property tax. For services that can not easily exclude users, such as through streets, parks and police services, the traditional definition of a public good, a form of this tax mechanism, would have to be retained. But it should be simplified and streamlined.

Volumes have been written on the various methods of calculating property tax. They involve multiplying an assessment base times a mill rate. In general, most are overly complicated, unstable and expensive to administer. They are also economically counter-productive since they have the perverse effect of penalizing those who make improvements, while rewarding those who neglect or otherwise let their properties run down. For example, the person who lets a property fall apart and tears it down to make a parking lot sees his taxes lowered. Winnipeg's system of property taxation is based on market value assessment. The tax is calculated by multiplying two variables: the assessment by the mill rate. One of the variables, the assessment, is inherently unstable and requires regular recalculation by a special bureaucracy, the assessment branch. Given the complications of estimating market value, the scope for error and appeal is substantial.

SHIFTING TO A LAND TAX

To mitigate the problem, we should consider moving to a property tax mix that emphasizes the value of the land, not what improvements sit atop it. Solid evidence indicates that a property tax levied only, or primarily on, the land component has greater benefits than one levied on the total market value of land and buildings. Nobel Prize Laureate Herbert Simon put forth the theoretical basis for land-only taxation in 1980. This type of tax discourages speculation by raising the holding cost of vacant land and encourages the likelihood that prudent owners would construct something to generate revenue. It also encourages owners to improve their properties, because such activity would generate no additional tax.

Property taxes in Israel have tilted in this direction for many years, with lower rates on land generating business taxes. Landowners who build residences are exempt from property taxes for 30 months. Rapid urban development has been a predictable consequence. Closer to home, two cities in Pennsylvania have moved to a property tax formula that emphasizes the value of land instead of buildings, with salutary effects.[63]

HARRISBURG

In 1974, Pennsylvania's capital city started taxing land values at a higher rate than buildings. The change in emphasis confirmed the strong theoretical case. Between 1987 and 2000, Harrisburg doubled the ratio of the tax on land to the tax on buildings. The number of building permits nearly doubled, and the value of new construction nearly tripled over that period. In 20 years, the city reduced its vacant building stock from 4,000 to 500, a drop of about 90 percent.

ALLENTOWN

In 1996, by popular vote, this rust-belt city adopted a land-value tax system. Previously, the value of new residential and commercial construction had been in a rapid decline. The value of building new business premises rose from less than a million dollars in 1995 to almost $18-million in 2000, while the volume of new housing went up fourfold, from $2.8-million in 1995 to $11.4-million in 2000.

Winnipeg's downtown is riddled with vacant and under-utilized parcels of land, similar to the situation in the two Pennsylvania communities before they changed the focus of their property taxes. Tax authorities in Harrisburg thought it prudent to phase in the reform over a lengthy period, to give landowners time to develop or dispose of their holdings. The Allentown experience indicates that such caution may be too timid. By definition, the removal of disincentives to economic growth is an absolute value. Getting rid of them quickly is therefore smarter than doing it slowly.

The one note of caution expressed in the research is the necessity to assess the value of the land component accurately. Shedding the lengthy and cumbersome process of assessing the value of buildings would allow assessment department personnel to concentrate on the real market value of land, a simpler and more objective task.

A land-tax approach moves the property tax burden away from penalizing investment and toward the development of unproductive, vacant or under-utilized property. It will motivate the owners of such property to re-evaluate their assets and to convert property to its best and highest use.

The City of Winnipeg should consider moving to a simpler property tax system. A preferred option would be moving to a unit-assessment system in which the assessment variable is based on some stable and simple variable such as property size or living space area. The system is the simplest and least expensive to administer and is stable and transparent. Back-door tax increases engineered through creative reassessments of market value become impossible. Essentially, rising costs would become transparent since they would translate automatically into higher mill rates.

The frontage levy is another form of property taxation based on unit assessment. The replacement of the present flawed property tax system by frontage levies would remove the problem of high administration costs, instability and lack of transparency.

OTHER TAXES

Municipal governments rely on a variety of taxes and fees to generate revenue. Three of these in the City of Winnipeg – the business tax, the amusement tax and license and permitting fees – have their own problems.

Because it is particularly insensitive to profit levels, the business tax is a severe disincentive to business within the city limits. Whole industries – meat packing is a good example – have abandoned Winnipeg for jurisdictions with no business tax.[64] The Internet and inexpensive communications technology also present another challenge, that of enforcement and administration. Thousands of home-based businesses avoid paying business taxes, so those that use standing premises are therefore always at a disadvantage. Given these new competitive realities, Winnipeg should simply end its business tax and make up the revenue shortfall with operating efficiencies, user fees and a simplified unit-value assessment-based system of property tax.

Property Tax Reform Recommendations:

- Recognize that property tax is the most damaging tax to downtown since it penalizes density and promotes urban sprawl. Aggressively move to lower and eliminate property tax:
- Expand the use of traditional revenue sources used by other Canadian cities, particular hotel taxes and user fees.
- Fund education through general revenues not property taxes
- Continue to improve operating efficiencies by moving to a more transparent, output oriented city model called Managed Competition (see Opportunity 7, Pg. 32).
- To catch free-riders who use property tax subsidized services and amenities, implement fully-costed user fees on non-city residents.
- Ideally, shift to user fees based on neighbourhood costs where possible. These localized fees would be the lowest in areas of density, clearly favouring the downtown.
- Fund expenditures not covered directly by user fees, so-called public goods, with a simplified property tax based on land asset, not the improvements on it.

CONCLUSIONS

As stated at the beginning of this paper, a complex combination of policy choices provides the foundation for Winnipeg's relative stagnation and the downtown's decline. The traditional approach of leveraging more stop-and-go subsidies and programs from senior government levels is no answer for a better future for Winnipeg and its downtown. This paper proposes modern policy reforms that remove obstacles which block and depress the assets and potential of the inner city.

What man has constructed, he can equally reconstruct. There is no question that the urban community of Winnipeg can remount a growth track if any or all of the recommendations listed below come to pass.

"A prime characteristic of our present policy environment, even more than its bias toward process and not results, is inertia."

The tools are available to revive both Winnipeg's core and the surrounding suburbs and exurbs. Generally, they head in the direction of less regulation and government control and toward markets. They tend to favour the neighbourhood over the greater polity and the decentralized system rather than the bureaucratic system.

Pro-growth policies do their magic in insidious ways, and no doubt a recapture of a lower core-cost structure and the adoption of regulatory reform would benefit the rest of the metropolitan area as well. In turn, a brisk economic revival would provide governments with more money for the services that remain in common. Other cities have turned it around. We can, too.

RECOMMENDATIONS

The Frontier Centre recommends that the City of Winnipeg and the province of Manitoba undertake these measures:

1. Grandfather building codes and eliminate zoning restrictions in areas like the Exchange District to promote residential conversions.
2. Ensure fast turnarounds on building permits to encourage residential redevelopment.
3. Move land-use decisions from the planning bureaucracy and return them to the market.
4. Recognize that rent control prohibits the deployment of hundreds of millions of dollars in willing, "free" private capital in the city centre and cancel the program outright. Institute a temporary means-tested rent supplement program if necessary.
5. Eliminate, simplify and streamline the numerous licensing and regulatory barriers to enterprise.
6. Re-orient the Winnipeg Police Service to focus on performance. Reform enforcement of domestic abuse policies, which consume excess time for minimal results. Reduce high overheads through use of more civilian administration, and change the force's excessive two-person police car policy. Implement community policing with a street, not a store-front, focus.
7. Restore the ability of motorists to drive downtown by switching one-way streets to two-way streets, ending rush-hour parking bans, making parking policies less punitive and less expensive, and implementing residential street permits in low-traffic downtown areas.
8. Improve transit by splitting the delivery of service from the City's role as a funder.
9. Implement a thorough and objective measurement regime for all City services.
10. Where possible, implement managed competition whereby city employees operate within internal business units that compete with alternative service suppliers. Sharply reduce property tax levels by transferring the responsibility for school financing to the province, and by moving in the direction of user fees wherever possible.
11. Base user fees and property taxes on real neighbourhood costs. At a minimum, charge non-residents fully costed user fees.

12. Simplify property taxes by moving from market value assessment to unit-cost assessment, or frontage levies, preferably in the direction of an assessment emphasis on the value of land, not buildings. Property taxes should cover so-called traditional public goods where expenditures can not easily be tied to the consumer or user of the service.

We believe these basic policy changes would create a dramatic revival of both the city and its downtown area. The following decision grid lays out which level of government must lead on each action.

Policy Change	Province	City	Action
Friendly Zoning and Permitting	Supporting Role	Lead Role	Internal systems and benchmarking
Allowing Private Investment by Ending Rent Control	Lead Role		Saskatchewan style end to policy
Removing Barriers to Enterprise	Supporting Role	Lead Role	Regulatory house cleaning
Safer Downtown-Better Policing	Supporting Role	Lead Role	Policy changes, province could tie some funding to performance focus
Friendly Parking and Traffic		Lead Role	Policy change
Better Transit	Lead Role	Supporting Role	Transit Grant conditional on least cost subsidy/competitive suppliers
Creating High Performance City	Lead Role	Supporting Role	City of Winnipeg Act Modernization
De-emphasize Property Tax	Lead Role	Supporting Role	End Education funding from property tax, legislative changes

Endnotes

[1] *The Millennium in Manitoba*, by Buzz Currie, Winnipeg Free Press, 1999.

[2] In 1970, Winnipeg was the fourth-largest city in Canada. In the 2001 census, Winnipeg just managed to hold onto eighth position. Next census, in the absence of policy renewal at both the provincial and city level, it will likely slip down to number nine, behind Hamilton-Wentworth.

[3] Stagnation, Not Sprawl – Winnipeg and the 2001 Census, Wendell Cox, Frontier Centre Backgrounder, December 2002.

[4] Much of the formal research into the problems of Canadian cities suffers from two problems. First, its conceptual framework tends to embrace sweeping macroeconomic generalizations about social forces, divorced from the actual experience of individual actors or the effects of specific government policies on their behaviour. Second, it lapses into incestuous and tortured jargon, viz. "The connection between fordism and modernity is of the same nature as the one that fuses different spheres of society into this regime of accumulation. This process is neither fully structural nor fully contingent. Modernity cannot be collapsed with fordism; the roots of this cultural movement indeed reach into the enlightenment era." (From "Fordism, Post-fordism and Urban Policy-Making: Urban Renewal in a Medium-Size Canadian City," by Pierre Fillion, *Canadian Journal of Urban Research*, June, 1995.) Such bafflegab is of little use, either for understanding urban decay or for discovering ways to correct it.

[5] New Life Ministries, 514 Maryland Street, Winnipeg

[6] [6] Inner City Policy Needs to Empower Cities, Reverend Larry Gregan, Community Pulse, Frontier Centre for Public Policy, May 2002

[7] *The Wealth of Cities,* by John Norquist, Perseus Books, 1998.

[8] "The Zero-Tax City," by Filip Palda, *Next City* magazine, Spring, 1997.

[9] Stagnation, Not Sprawl – Winnipeg and the 2001 Census, by Wendell Cox, Frontier Centre Backgrounder, December 2002.

[10] *The Future of the Center: The Core City in the New Economy*, by Joel Kotkin, Reason Public Policy Institute, November 1999.

[11] It could be argued, for instance, that many policies controlled by the federal government, such as the Canadian Wheat Board, aboriginal affairs or even our tax structure, hurt Winnipeggers, but they are beyond this paper's purview.

[12] *Market Oriented Planning: Principles and Tools*, by Samuel Staley and Lynn Scarlett, the Buckeye Institute and the Reason Public Policy Foundation, September, 1997.

[13] Ibid.

[14] Conversations from the Frontier with John Norquist, Mayor of Milwaukee, October 17, 2002, see www.fcpp.org

[15] Few social activities seem to understand that zoning has generally been against the interests of lower-income communities. Official intransigence harms the poor the most because it often discourages them from accessing denser, lower-cost accommodations. Low-income people are also excluded from exurbs by requirements mandating large lots on the edge of cities. In Houston, Texas, a thriving megalopolis, much reviled by urban planners, with no zoning, housing and business costs are low. Its racially mixed inner-city neighborhoods have repeatedly rejected proposals to introduce zoning in order to keep it that way.

[16] *Market Oriented Planning: Principles and Tools*, op. cit.

[17] Ibid.

[18] Forbes Magazine, December 1999

[19] Richard Morantz, Globe General Agencies, personal communication (November 2002)

[20] *Zoning, Rent Control and Affordable Housing*, by William Tucker, the Cato Institute, 1991.

[21] Ibid., p. 23.

[22] Rent Control In Winnipeg: Quantifying The Damage, Considering Solutions, Frontier Centre for Public Policy paper, by Robert C. J. Hanson, May 2000, see www.fcpp.org

[23] *Rent Control In Winnipeg: Quantifying The Damage, Considering Solutions*, by Robert. C. J. Hanson, the Frontier Centre for Public Policy, April 2002.

[24] Ibid.

[25] "Prisoners of Rent Control", op. cit.

[26] *Rent Control in Winnipeg*, op. cit.

[27] "Rent control part of Winnipeg's poor house prices," by Peter Holle, Frontier Centre for Public Policy, June 5, 2000.

[28] Comments by Milwaukee Mayor John Norquist during a speech to Frontier Centre for Public Policy in Winnipeg on October 17, 2002.

[29] *Edmonton's Downtown Renaissance*, op. cit.

[30] National Post, page one, Joseph Brean, November 23, 2002

[31] This information is drawn from *Licenses (Municipal and Provincial Licenses and Permits)*, contained in Infor-Fax #6016, from the Canada/Manitoba Business Service Centre.

[32] By Samuel R. Staley, Howard Husock, David J. Bobb, H. Sterling Burnett, Laura Creasy, and Wade Hudson, Policy Study #277, the Reason Public Policy Institute, February 2001.

[33] Ibid.

[34] Ibid.

[35] Drawn and adapted from the Centre for Justice Statistics, Statistics Canada Catalogue no. 85-225-X1E.

[36] The clearance rate is an average of two figures, the statistics for and non-violent and violent criminal offenses. In Winnipeg, the rate of clearance for the former sits at only 18%, and for the latter at 70%. According to the Canadian Centre for Justice Statistics, of the nearly 38,000 property crimes committed in Winnipeg in 1999, only 18% were ever resolved. Since there are many more non-violent infractions than violent ones, the average rate of clearance is closer to the figure for non-violent crimes.

[37] The size of the problem may also be understated. These statistics report only the crimes that actually end up on the police blotter. Although there is no way to measure objectively, anecdotal reports from the experience of Winnipeggers indicate that many crimes are routinely committed that do not result in convictions, despite the apprehension of the perpetrators. The wrongdoers are simply released without being charged. The reasons for this, often related by frustrated police officers to victims, are that the courts are already jammed and that they lack the time to process the offenders.

[38] *Two-Officer vs. One-Officer Police Cars,* by Esther Rubenstein and Peter Holle, the Frontier Centre for Public Policy, February 2001.

[39] In 1992, the Winnipeg Police Service overran its overtime budget by one million dollars, see "Overtime gravy train derailed," the *Winnipeg Free Press*, March 1994. Officers were lingering at crime scenes, booking overtime hours for their work with Crown prosecutors and using a cashout clause in their contract to obtain overtime pay instead of time off. Detectives in the robbery-homicide unit were routinely collecting between $10,000 and $20,000 a year each in overtime pay.

[40] The Winnipeg Police Service, *Annual Report*, 2000.

[41] "More cycle patrols frozen out by budget restraints," *Winnipeg Free Press*, November 29, 1995.

[42] "Pedal patrol helps prevent crime," the *Winnipeg Sun*, September 2, 1997.

[43] "Core area police upset by $10 prize," the *Winnipeg Free Press*, October 19, 1999.

[44] "Broken Windows, the police and neighbourhood safety," by James Q. Wilson and George L. Kelling, the Atlantic Monthly, March 1982.

[45] Ibid.

[46] "Police move to clean up downtown," the *Winnipeg Free Press*, February 24, 1998.

[47] *The Wealth of Cities,* op. cit.

[48] Wilson and Kelling, op. cit.]

[49] Ibid.

[50] also see "City may boost parking fines," the *Winnipeg Free Press*, December 3, 2002.

[51] "Transit fares set to rise another nickel," the *Winnipeg Free Press*, December 3,2002

[52] *Urban Transport Moves to the Purchaser/Provider Split*, by Wendell Cox, Frontier Centre policy series #8, May 2001, available at fccp.org.

[53] Adapted from *Winnipeg Can Learn from Phoenix,* by Peter Holle a Frontier Centre policy brief, September 7, 1998.

[54] Adapted from *Sunny Lessons from Sunnyvale,* by Peter Holle, a Frontier policy brief, July 29, 1998.

[55] In eight years, the City of Indianapolis achieved cost savings of $400-million and reduced the size of its non-public safety workforce by half, cf. *The Twenty-First Century City: Resurrecting Urban America,* by Stephen Goldsmith, Roman and Littlefield Publishers, Inc., 1999.

[56] In fact, the stick that spurred Indianapolis's municipal workers union to participate in managed competition was a perceived threat that their employer was about to privatize their jobs. The recourse of private-sector service provision has become so common a practice in government at all levels that the means and procedures of privatization have developed into their own subset as a branch of the science of public administration, cf*. Designing Comprehensive Privatization Programs for Cities,* by John Stainback, a joint project of the Mackinac Center for Public Policy and the Reason Foundation, 1992.

[57] "The Zero-Tax City," op.cit.

[58] Ibid.

[59] Ibid.

[60] *Towards a Fair Tax City*, op. cit.

[61] "The Zero-Tax City", op. cit.

[62] Ibid.

[63] *Tax Structure Analysis Report*, by Jonathan A Saidel, Office of the City Controller, City of Philadelphia, Nov. 26, 2001.

[64] Brandon's Maple Leaf hog processing plant was explicity located in Brandon because that city eliminated its business tax.

Frontier Centre for Public Policy

The Frontier Centre for Public Policy is an in-dependent, non-partisan, social and economic public policy think tank based in Winnipeg. The Centre was founded by a group of citizens who share a common interest in making the Canadian prairies a better place to live, work and prosper.

Frontier was incorporated as a non-profit organization under the Manitoba Corporations Act and was granted charitable registration by Revenue Canada on April 1, 1999.

The Centre seeks to broaden the debate about the region's future by undertaking research and educational programs that support economic growth and opportunity. Its activities include researching current and emerging economic and public policy issues, exploring the social characteristics and economic potential of Canada's provinces and publishing what we discover. It organizes and sponsors conferences, seminars, lectures, training programs and widely distributes their thematic value.

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