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News Release

Auditor: Government is Not Doing Enough to Mitigate Taxpayers' Exposure to Increases in Land Value

REGINA, Sask., June 30, 2016 –

In audits at the Global Transportation Hub Authority (the GTH) and the Ministry of Highways and Infrastructure (Ministry) on acquiring land, the Office found not enough was done to reduce taxpayers' exposure to increases in land values. "Our Office recommends that the Government explore alternate approaches to optimize the timing of land acquisitions for major public improvements like the Regina Bypass Project," says Provincial Auditor Judy Ferguson. "In addition, it must balance keeping the public informed, managing public resources prudently, and providing landowners with amounts reflecting fair value."

Global Transportation Hub Authority – Acquiring Land from the Private Sector

The GTH has directly bought only three parcels of land, in two separate transactions, from 3rd parties since the acquisition of its initial land footprint. The GTH completed its purchase of 41 acres at a cost of \$1.2 million in February 2013 (the South Parcel) and of 204 acres at a cost of \$21 million in March 2014 (the East Parcels).

From 2011 to 2013, a series of situations and events contributed to delays in buying land that the GTH viewed as key to its commercial success (the East Parcels) resulting in the GTH buying this land at a significantly higher price. These situations and events occurred during a period when the GTH was a relatively new agency (the Government formed it in mid-2009), and when its focus was to attract businesses to operate within the hub. Also, this was a period when GTH obtained its own legislation (i.e., in 2013)—legislation that did not give it expropriation powers.

Furthermore, from 2011 to 2013, industrial land values around the City of Regina were rapidly escalating (doubling in value from 2008 to 2013), and the East Parcels were bought and sold twice at significantly increased prices.

When the GTH was buying the South Parcel and East Parcels from the private sector, the GTH did not yet have formal policies or processes (including due diligence) for buying land or experience in acquiring land. It did not prepare business cases for these major land acquisitions, or have clear land acquisition strategies. In addition, it (or parties acting on its behalf) did not keep key documentation used as a basis for making offers to purchase. It needs to do so.

In addition, the GTH's unique board governance, and the active involvement of the GTH Chair/Minister and of both the GTH and Ministry added complexity to buying the East Parcels. While all agreed on the importance of buying the East Parcels, and were aware of rapidly escalating land prices, no agency had clear responsibility for leading the purchase of them. "Better coordinating which agency should take the lead on acquiring the East Parcels may have resulted in an earlier purchase potentially at a lower cost," says Ferguson.



Ministry of Highways and Infrastructure – Acquiring Land for the Regina Bypass

The practice of the Ministry of Highways and Infrastructure is not to buy land until it finalizes the route and design of the highway improvement. While this practice is pragmatic in terms of minimizing the risk of acquiring unneeded land (particularly through expropriation), it makes taxpayers vulnerable to paying for increased land values. This vulnerability was greater for the Regina Bypass Project. This is because of its large size, complexity, close proximity to the City of Regina, and the compressed timeframe in which the Ministry acquired the land to meet the Project's P3 construction schedule.

Following its practice, the Ministry acquired just over 2,100 acres of land for the Regina Bypass Project at a cost of \$82.7 million from 100 landowners primarily from April 1, 2014 to March 31, 2016—a two-year period. It bought about one-half of these acres from willing sellers and expropriated the other half.

The Office found that the Ministry did not take sufficient steps to reduce exposure to increased land values during its planning for the Regina Bypass Project. It did not actively explore or consider the suitability of alternate purchasing strategies to manage potential increases in land values. The Office recommends the Ministry explore alternate approaches to optimize the timing of land acquisitions for future major public improvements.

In addition, the Office found that generally the Ministry followed its policies and procedures to acquire land in a manner consistent with the requirements of *The Expropriation Procedure Act* and case law. However, the Office noted a few exceptions where the Ministry did not do so. For instance, in a few cases, the Ministry did not determine or pay compensation associated with permanent damages for partial takings of agricultural land and discretionary spending consistent with its policies, or keep sufficient documentation of the basis of its compensation decisions.

“Not consistently following approved policies in effect at the time of the offer to purchase increases the risk of the Ministry not treating landowners consistently and fairly,” says Ferguson. “This can lead to disagreements between the Ministry and landowners, and making inappropriate payments.”

Furthermore, the Ministry needs to publish information designed to help landowners understand their property rights and how compensation for land is determined. Providing publicly accessible information for landowners impacted by Government land acquisitions improves understanding of the process, increases transparency, and can help build trust.

The full Provincial Auditor's *Special Report: Land Acquisition Processes* is available online at www.auditor.sk.ca.

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