



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: September 28, 2005  
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Meeting Date: October 20, 2005

TO: Standing Committee on Planning and Environment

FROM: Chief Constable in consultation with the Chief License Inspector

SUBJECT: Xtract System Update, Bylaw Amendments and Civilian Position Re-classification

**RECOMMENDATION**

- A. THAT Council approve amendments to Secondhand Dealers and Pawnbrokers By-law No. 2807 as generally outlined in Appendix A of this report, to amend the definition of "picture identification", report physical descriptors to the police, eliminate the option of paper reporting, revise pawn reporting, and provide for separate Secondhand store storage.
- B. THAT Council authorize the Director of Legal Services to bring forward the appropriate by-law amendments generally as set out in Appendix A;
- C. THAT Council, through the Mayor, send a letter to the Solicitor General and the Ministry of Public Safety, to be copied to UBCM, encouraging the enactment of a Provincial Act to control the movement of Secondhand goods.

**GENERAL MANAGER'S COMMENTS**

The Chief Constable and the General Manager of Community Services RECOMMEND approval of the above recommendations.

## COUNCIL POLICY

Council, by way of the Secondhand Dealers and Pawnbrokers By-Law No. 2807, regulates all Secondhand dealer and pawnbroker business in the City of Vancouver.

On November 1, 2001, Council approved amendments to the Secondhand Dealers and Pawnbrokers By-Law No. 2807 to allow for an on-line Internet reporting system called Xtract. The option of hand delivery reports was retained at the time.

On November 7, 2002, Council approved amendments to License By-law No. 4450 and Secondhand Dealers and Pawnbrokers Bylaw No.2807, to specify new definitions for types of Secondhand dealer businesses and to adopt a new license fee structure to support the Xtract system.

## SUMMARY

The Xtract system, adopted by Council in 2001, is an on-line Internet reporting system used to track inventory deposited at Secondhand shops and to compare it against stolen property reports. Xtract has been extremely successful in both increasing the recovery of stolen goods and in shortening the time required to investigate incidents.

At the time it was adopted, Council expressed the desire that the system remains cost neutral and requested the cost recovery options be pursued. Although there has been no contributions from third party private companies to date, the VPD Anti-Fencing Unit has been very active in encouraging other users to join the system and in pursuing Provincial legislation for electronic reporting, which would ultimately lead to increased revenues or decreased costs.

This report also proposes a number of amendments to the Secondhand Dealers and Pawnbrokers Bylaw No. 2807. These amendments would amend the definition of "picture identification", have licence holders supply a physical description of the customer, eliminate paper reporting, implement new pawn reporting practices and allow off-site storage for Secondhand stores.

## PURPOSE

This purpose of this report is to provide an update on the Xtract system and to recommend amendments to the Secondhand Dealers and Pawnbrokers Bylaw No. 2807.

## BACKGROUND

In November 2001, Council approved the implementation of an on-line Internet reporting system called Xtract to track inventory deposited at Secondhand shops against stolen property reports. Since that time Xtract has become the cornerstone of the Property Crime and Anti-Fencing Units intelligence-led policing and is the main means by which the City of Vancouver regulates the Secondhand industry. Xtract is used at some level in every property crime related file, some 60,000+ in 2003. It assisted in solving crimes in dozens of outside jurisdictions.

<b>Stores Reporting Directly on Xtract</b>					
<b>CITY</b>	<b>YEAR</b>				
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Vancouver</b>	3	11	57	73	76
<b>Kelowna</b>				16	29
<b>Chilliwack</b>					8
<b>Totals</b>	<b>3</b>	<b>11</b>	<b>57</b>	<b>89</b>	<b>113</b>

Vancouver is in the ongoing process of identifying Secondhand stores. There are 7 shops in Vancouver that deliver their sheets by hand.

All shops in Kelowna and Chilliwack must report directly on Xtract.

In November 2002, funding for the position of Data Entry Clerk was approved to provide support to the Xtract program in the VPD Anti-Fencing Unit. Subsequent assessment by the GVRD resulted in reclassification of the position to that of an Investigative Clerk, responsible for "pre-investigative work" such as receiving incoming information from Xtract, investigating serial numbers and values of items, and identifying patterns and profiles of transactions. Although not originally envisioned as part of the program, this role of refining raw data has become a vital component of the system and the unqualified success of the Xtract program is due in no small part to this position.

#### **Xtract Benefits**

One of the prime benefits of Xtract lies in its ability to dramatically shorten investigations and reduce their cost. The system enables officers to perform, in seconds, investigative tasks that previously would have taken hours and days. The efficiencies achieved by the implementation of Xtract have freed police personnel from other tasks and enabled them with time to deal with this part of the industry more effectively in terms of expanding coverage of Secondhand transaction surveillance, recovering stolen property, identifying suspects, and closing cases.

The acceleration and automation of Secondhand property reporting has also improved the VPDs ability to return stolen property and enables deeper investigative work by allowing officers to view transaction histories by individual, by shop, or by custom queries. Xtract has reduced the average investigative time per incident, without increasing its sworn officer count. While Xtract has been a great assistance to the Police, one must be cognisant of the sheer volume of property crime in Vancouver. The Anti-Fencing Unit could double its strength and still have a full case load.

Xtract not only drives the daily activities of the Anti-Fencing Unit, but has also been of assistance to the other investigative branches of the department. It's a prime resource for members investigating any crime that involves missing or stolen property, including major crimes such as homicides and home invasions. In addition, it has been successfully integrated with the Province of BC Police Records Management System (PRIME) and the Canadian Police Information Center (CPIC), making it part of a nation-wide "Property Crime File" system.

## **Funding**

In 2001, when Xtract was originally being considered, Council expressed the desire that the costs of the Xtract system and all associated staffing remain neutral. The Provincial government had originally been approached to cover the cost of the Xtract software-licensing fee for the entire province. When that option did not materialize, Council funded a portion of the system's operating costs from the 2002 Operating Budget and in November 2002 approved one-time costs of \$202,200 to cover implementation costs of the system. In addition, to support the Xtract system and associated staffing, increases in license fees were approved to provide funding for the estimated ongoing costs of \$107,000. Council also directed the Chief Constable to report back in one year on progress seeking alternate forms of funding for future program upgrades and system improvements.

## **DISCUSSION**

### **Xtract Funding Update**

In November 2002 Council directed the Vancouver Police Department to seek out alternate forms of funding for Xtract both from the private sector corporations and other government agencies that benefit from this program, in order to cover the costs of future program upgrades and system improvements. The following actions have been pursued:

- **Private Sector Funding**

Since 2001 no funds from the private sector have been realized. The Anti-Fencing Unit has met with the governing bodies of the BC and Canada insurance bureaus, but no funding has been forthcoming. However, ICBC, in response to their recent study crediting Xtract with a 13% drop in theft from autos in the Vancouver area (surrounding jurisdictions without Xtract have had a 13%+ increase in theft from autos) is currently exploring ways in which they can be involved with the system again. It was ICBC that contributed the first computer servers (\$30,000 donation) that housed Xtract for its first three years

- **User Fees**

Further funding, in the form of user fees to monitor the hardware and Internet costs, will also become available to the VPD as other municipalities adopt Xtract. All other jurisdictions that want to become involved with Xtract sign an agreement with the VPD to provide funds equal to 20% of what support and maintenance fees they pay Syscon Justice Systems. (Xtract's owners).

- **Provincial Legislation**

The Anti-Fencing Unit has been actively pursuing making Xtract a Provincial system and in 2003/2004 staff have participated in regional property crime meetings and have lectured to the BC Association of Chiefs of Police and at the Versaterm (Provincial RMS Vendor) Users Conference. The results of these engagements have been promising. In June 2004 Kelowna City Council amended their by-law to accept Xtract. In April 2005 the City of Chilliwack changed their bylaw to adopt Xtract. The City of New Westminster adopted Xtract in September 2004, with a by-law amendment expected in 2005. Plus there is strong interest in the Xtract system within a number of RCMP jurisdictions in the Interior, Lower Mainland and on Vancouver Island.

With the success of Xtract in Vancouver, and its increasing use in BC, the VPD, in consultation with the Solicitor General's Ministry, is continuing to explore the possibility of a Provincial

Electronic Property Reporting Act, which would incorporate the Xtract reporting system, to control the movement of Secondhand goods. If enacted, this legislation would require the use of electronic reporting by all municipalities, resulting in revenues of approximately \$50,000. Alternatively, there is the possibility that the Province would administer this “police system” and would then likely purchase the hardware from the VPD.

As such, it is requested that Council, through the Mayor, send a letter to the Solicitor General and the Ministry of Public Safety, also to be copied to UBCM, encouraging the enactment of such legislation to control the movement of Secondhand goods.

- **Appropriate Licensing**

An annual two month temporary Property Use Inspector position was approved by Council in November 2002 to assist the VPD Anti-Fencing Unit to ensure that businesses trading in Secondhand goods are appropriately licensed. The volatility and dynamics of a market economy requires regular monitoring as operators constantly change their business plan to meet the needs of their customers and perceived opportunities in the market. As a result, businesses enter and leave the Secondhand business on a regular basis.

In 2003 and 2004, the temporary Property Use Inspector position was effective in bringing a level of consistency to the Secondhand industry with respect to ensuring all businesses dealing in Secondhand goods are licensed properly. The inspector liaised with businesses to further their understanding of the regulations pertaining to Secondhand goods, as well as the city’s rationale and need for implementing those regulations.

The inspector has been an important factor in bringing previously unlicensed operators into compliance with the by-laws, including the payment of the appropriate business license. The original total revenue projection from the 2002 report to Council that revised Secondhand Dealer business license classifications and increased license fees was \$138,581. The annual business license fees collected from all Secondhand Dealer classifications and Pawnbrokers are noted in Table 2 below:

Table 2

YEAR	SECONDHAND DEALERS (approx. # of Licenses)	PAWNSHOPS (approx. # of Licenses)	TOTAL FEES COLLECTED
2003	\$123,158 (163)	\$39,924 (26)	\$163,082
2004	\$147,212 (183)	\$37,781 (25)	\$184,993
2005 (as of August)	\$87,940 (160)	\$24,286 (15 of 18)	\$112,226

Table 2 indicates that the projected revenue in 2003 and 2004 was exceeded by approximately \$23,500 and \$42,900, respectively. New license fees generated from previously unlicensed Secondhand businesses accounted for the majority of the excess revenue. Staff expects that revenue for will be down for this year, 2005, due to a number of significant license suspensions/closures/redevelopment of combined Secondhand Dealer/Pawnbroker businesses and the introduction of the Antique Dealer definition which shifted a number of businesses from the Secondhand Dealer classification to the standard Retail Dealer classification. It is difficult to estimate how much revenue will fall below last years collections.

Finally, staff expects that as the need for initial business license set-up for new Secondhand businesses decreases the inspector’s role will have an increase emphasis on enforcement. As

a result, the inspector will work closely with the Police Department's Anti-Fencing Unit to obtain evidence of non-compliance from businesses that are aware of the by-law requirements but which choose not to obtain the proper approvals and license.

### Proposed By-Law Amendments

The following amendments to the Secondhand Dealers and Pawnbrokers By-law No. 2807 are recommended:

- **Identification**

The federal government recently accepted the use of a new type of government issued picture identification. As such, this amendment updates identification requirements under the Secondhand Dealers and Pawnbrokers By-law No. 2807. This amendment encompasses any future changes in identification issued by any government or ministry. The amendment retains the picture requirement, but now has a five-year issuance condition, thereby aiding the merchant and the City in being able to identify the customer.

- **Reporting Physical Descriptors**

This by-law regulates an industry that is prone to deal with suspicious property. There has been a demonstrated need to have certain regulations that allow the city to identify who is conducting transactions of this nature within it. An important part of any property investigation is the identity of the person who was in possession of it. This is accomplished by the production of ID to the store involved in the transaction. The store then verifies that the ID represents the holder and enters the type of ID that was produced. Giving these details, a "Schriver's Case", is sufficient evidence in most court proceedings to identify an individual. To aid the store in being able to remember the client Xtract has a collection of physical descriptors to fill out. "Race", "Hair", "Eyes", "Height (cm)", "Weight (kg)", these are currently not mandatory.

This amendment proposes that it be made mandatory. In 2004 the VPD and the License and Inspections Department were involved in two major projects (Lucille and Raven) concerning the underground economy in Vancouver. As part of these projects undercover officers went into Secondhand stores and Pawn shops and sold property. In each case when ID was asked for (not every transaction had ID involved) they produced ID that was of a different gender and race. The store would use some of the data, but because it is not mandatory they would not include a description of the holder. In some cases the store produced their own ID to mask the seller's identity. This evidence weighed heavily in the store's licence being suspended or prohibited. Having the description mandatory will assist stores complying with the bylaw by keeping a record of the individual beyond a name and ID type.

Some of the Industry members have had concerns regarding the legitimacy of this proposal and then others wanted to go further by providing a digital photo of the person as they appeared on that day. This proposal has been researched thoroughly by several legal firms, including our law department and there are no issues around asking for these descriptors. Having a description of the person the day the property enters the market place will be very helpful to the police by allowing us to concentrate only on workable files. Right now all we have is the name and type of ID. These IDs are not readily available to the police and then the photos are at times unusable. The suggestion to take digital photos, while a very good one, is too expensive right now. The system does have that capability but the upgrade would be expensive and not palatable to the industry as this is a cost recovery plan.

- **Electronic Reporting**

The purpose of the amendments pertaining to method of reporting is to completely eliminate paper reporting and thereby shift to a strictly electronic system. In Vancouver, currently over 80 stores submit electronically and only seven stores submit in the paper format. The Vancouver Police Department estimates there should be some 150 stores reporting.

Electronic reporting would make the system simpler and less prone to mistakes as well as less expensive to administer since the information is currently entered manually by staff. These efficiencies will assist in not having to raise licence fees. Removing the ability to report via paper would also eliminate the need for the 49-day hold period required for paper reports. It is essential for investigative purposes to retain the 35 day hold on all property. This hold period, as explained in the 2001 report, is due to the time it takes for victims to fully report to the police and have that information uploaded to the RMS.

After a transition period of three years, with the technology currently available and the decrease in price of the required technology, there is no valid reason, for a business not to be able to report in the electronic format. In fact, Kelowna and Chilliwack recently updated their by-law making electronic reporting mandatory. There are other municipalities that are re-drafting their by-laws to comply with electronic reporting only. The VPD has also recommended to the Province that any future Provincial Act have strict electronic reporting only.

- **Pawn Reporting**

The purpose of this amendment is to allow the police more investigative ability when it comes to redemptions. Vancouver has twenty-one licensed Pawn/Secondhand shops (Class 1) that deal in tens of thousands of articles per year. Currently there is no requirement to keep a record of redeemed items, no hold period, beyond what is currently in the by-law, or any requirement to notify authorities when the property is redeemed. This is because pawned property is considered collateral in a loan and if the "pawner" wishes to make good on the loan, the collateral must be returned. Council should take note that the Province repealed the Pawn Act in 2002 and there is a vacuum when it comes to regulation. As of now it seems the Province is expecting the municipalities to regulate how pawns are controlled.

For investigative purposes the police can not treat pawns the same as an out right buy. Pawns now are reported the same as buys and this need not change. A change is needed to reflect the special status that the pawned property has, it may be removed any time before the 35 day hold, if it is redeemed. Once it has been redeemed, and then reported stolen, the police are very challenged to investigate the possession of stolen property or retrieve the item and return it to its rightful owner. In short the police need to know more about the redemption. The police need to know when it happens and who is redeeming it. A recent audit of a large Pawn/Secondhand shop in Vancouver showed that out of the last 2500 transactions 2495 were pawns. If these are redeemed before the 35day hold then they are effectively removed from surveillance by the Police. It is not uncommon for the police to begin an investigation of stolen property that has been pawned only to find it was redeemed the same day as it was pawned.

It is proposed that the bylaw be amended to require that all redemptions be recorded and reported in order to establish a traceable path back to stolen property. There is, at present, no method of reporting this information directly via Xtract, but since the merchants are already "on-line", it is suggested that all redemptions be reported immediately to the VPD

AFU by email. The information required would include the pawn slip number, the redeemer's name and date of birth, and the date and time the redemption took place. This is as simple as book-marking the Anti-Fencing Unit's email address and sending the redemption notice as the transaction takes place.

Industry has commented that this new reporting requirement is labour intensive and expensive. The city is sympathetic to this but feel that the pros out way the cons. Knowing if and when a suspect article goes back onto the streets and to whom did it go with would assist the police and victims of crime immensely. Some Pawn industry representatives have provided evidence that the majority of pawned articles are redeemed and couldn't the police just call ahead and see if it is still there. This is not practical to most investigations. More importantly it is the impromptu inspections that are the backbone of this by-law. It would be financially prohibitive for either the Police or Licensing Inspectors to make regular checks of all the concerned businesses.

Much thought has gone into this amendment. Many proposals have been worked through but would either be too costly (technical changes in Xtract) or onerous on the client (mandatory hold periods). The proposed email notification would alert the police as to when an item has left the store, before the 35 day hold is up, and who is in possession of it again.

- **Off-Site Storage**

At present, the by-law does not allow for merchants to have any off-site storage. This is a significant concern for Vancouver's two large sporting goods consignment dealers which each have two retail sites. Since these merchants deal in large bulky items that can be seasonal by nature, they have difficulty storing the consigned goods for the required holding period on-site. Some merchants have run afoul of the by-law by selling items that they have not stored for the appropriate amount of time. Some of these items have turned out to be stolen. The merchant has used the excuse that they have no where to store the items and they either inadvertently or purposely sold them to make room. This by-law amendment would permit Secondhand Dealers to store off-site, at a facility that can be monitored by the police and City staff, properly awaiting the conclusion of the required hold period.

Staff feels that the benefit of off-site storage should not be extended to Pawnbroker businesses or to pawned goods.

## **FINANCIAL IMPLICATIONS**

There are no fee increases proposed. At this time this program is self sufficient from the licence fees collected.

## **CONCLUSION**

The Xtract reporting system has been very successful, both in terms of increased efficiencies in policing and in the recovery of stolen property for victims. The recommended by-law



amendments regarding pawn and Secondhand reporting will further act to improve the system by ensuring that all relevant information is on-line and readily available for review.

To date, funding from other sources to support the Xtract system has been limited. However, revenues will increase as other municipalities adopt the system and the VPD will continue to pursue Provincial legislation to create a province-wide reporting system.

\* \* \* \* \*

Proposed Amendments  
Secondhand Dealers and Pawnbrokers By-law No. 2807

1. From section 1.2, repeal the definition of "picture identification", and substitute:

"picture identification" means:

- (a) identification issued by the government of Canada or of a province of Canada or a ministry, department, or agency of any such government;
- (b) driver's licence issued by the government of a state of the United States or a ministry, department, or agency of any such government; or
- (c) passport issued by a government of a foreign state recognized by Canada;

that is valid, providing that the identification is integrated with a picture of the bearer and provided that such identification is not more than five years old.

2. In section 2.2 and in section 3.2 insert a new subsection ( c ) " ( c ) a complete description of the seller, including race, hair, eyes, height and weight"

Change the existing (c), (d), (e), (f), (g), and (h) to (d), (e), (f), (g), (h) and (i)

3. In section 2.16, strike out the period in subsection (b), and substitute a semi-colon, and, after subsection (b), add:

"(c) any property in the Secondhand dealer's alternate storage site referred to in section 2.23;

(d) the Secondhand dealer's alternate storage site referred to in section 2.23."

4. To subsections (b) and (c) of section 2.18, after "property", add ", except as permitted by section 2.23".

5. After section 2.22, add:

"2.23 During the applicable period of time set out in section 2.19, a Secondhand dealer may store property away from the Secondhand dealer's premises only if:

- (a) the Secondhand dealer does not have sufficient room in the Secondhand dealer's premises to store all the property required to be held under section 2.19;
- (b) the Secondhand dealer has only one alternate storage site;
- (c) the location of the storage site is in the city

- (d) the Chief Constable and Chief License Inspector approve the location of the storage site, it will be a commercial location and not within a dwelling house;
- (e) the Secondhand dealer has a current license under the License By-law for storage of property at the storage site; and
- (f) the Secondhand dealer uses the storage site only to store excess property."
- (g) the storage site will have the same inspection regulations as listed in section 2.16

6. Make amendments to "SECTION 3 PAWNBROKERS" similar to those set out in the preceding paragraphs 2 to 4, except for the provision for off-site storage.

7. After section 3.20, and what will be the new section 3.21, add:

"3.22 If a pawner redeems property from a pawnbroker, the pawnbroker must notify the Vancouver Police Department Anti-Fencing Unit immediately via email to [anti-fencing.vpd@vancouver.ca](mailto:anti-fencing.vpd@vancouver.ca) and the email must include the pawn ticket number, the pawner's name and date of birth, the date and time the redemption occurred, and a complete description of the property redeemed."

## INDUSTRY COMMENTS

Comments were solicited from both consignment stores concerning off site storage and the identification change. Their comments are as follows:

Both consignments dealers agreed with the identification changes and both were agreeable to the offsite storage provisions. One did comment on the cost associated with having to rent additional space and the transporting of the goods to and from storage.

Information Meeting re: Bylaw 2807 amendments  
2005-09-07 1400hrs

- Why don't we take valid IDs from other countries, ie. that country's Citizenship card?
- Some people's appearance changes every time you see them. What are we to write?
- Can we scan a person's ID once, issue our own ID card and use that instead of asking for and checking their ID every time?
- Is Civil Liberties not concerned about asking for people's height, weight, eye colour and race?
- Shops feel uncomfortable taking eye colour, height, weight and race. Some said they would rather take and send a digital photo.
- Do E-bay type shops have to comply with Bylaw 2807?
- Do specialty retail shops, such as bike shops and jewellery stores, that occasionally take in items in trade, have to report on Xtract?
- What if the ID has no issue or expiry date? Canadian Citizenship cards have neither.
- Social Services sometimes issues a notarized photocopy of a person's photo with the person's personal information. Is this an acceptable form of ID?
- In the case of consigned goods, if the customer wants to pick up his consigned item earlier than the 35 day hold, can he?
- How do we address items that are recycled? For example, if a shop charges \$5 to the customer to drop off their computer for recycling, then the shop then breaks the computer into its components, and sells the components, do they have to report that computer to the police?
- Regarding point 7, letting police know when a pawned item is redeemed, this creates an addition load to the store owner, affecting their bottom line. Store owners felt one person would have to be dedicated to this task. Large, US pawnshop software companies don't include a redemption section in their software. It will cost lots of money.
- Should there be a minimal dollar value before entering on Xtract?
- Would the city consider lowering the holding period?
- Perhaps the police department could offer the public a "Personal Property Database" to ease up and speed up the reporting times of stolen property for victims of theft.
- Why won't the police check serial numbers on CPIC when a shop owner calls?