

Station Lands

Recommendation

That Executive Committee recommend to City Council:

1. That an agreement between the City of Edmonton and Station Lands Ltd., for funding Green and Walkable streetscape improvements and publicly-accessible amenity spaces as part of the Green and Walkable catalyst project and for a new Capital City Downtown Community Revitalization Levy catalyst pedway project, for an amount not to exceed a total of \$50.8 million, as outlined in Attachment 3 of the June 14, 2021, Urban Planning and Economy report UPE00548, be approved, and that the agreement be in form and content acceptable to the City Manager.
2. That amendments to capital profile CM-74-4100 Downtown Community Revitalization Levy, as outlined in Attachment 7 of the June 14, 2021, Urban Planning and Economy report UPE00548, be approved.
3. That capital profile 21-50-9100 103A Avenue Pedway, as outlined in Attachment 9 of the June 14, 2021, Urban Planning and Economy report UPE00548, be approved, conditional upon provincial approval of the amended Capital City Downtown Community Revitalization Levy Bylaw 16521 and Plan.
4. That Administration prepare an amendment to the Capital City Downtown Community Revitalization Levy Bylaw 16521 and Plan, to add the 103A Avenue Pedway as a catalyst project, and other minor changes, as outlined in the June 14, 2021, Urban Planning and Economy report UPE00548, and return to a City Council Public Hearing in Q3 2021.

Executive Summary

Administration has been working with Qualico (Station Lands Ltd.) on the Station Lands Development concept on a large site Downtown. This report is being advanced because the developer has expressed interest in accessing the 2021 Edmonton Economic Incentive Construction Grant and is seeking certainty on an approach to funding major components of the development prior to advancing the project further.

The intent of this report is to receive direction and budget approval from City Council for an estimated \$70.8 million for the following three components:

- (1) Funding public portions of the 103A Avenue Pedway (which would also facilitate future expansion of the Downtown District Energy System) using Capital City Downtown Community Revitalization Levy (CRL) funding. The high level cost estimate for the pedway from Churchill LRT Station to the Station Lands property

line provided by the developer is \$26.5 million, which would be funded by the Capital City Downtown Community Revitalization Levy, subject to amendment of the CRL Plan.

(2) Funding portions of the Green and Walkable amenities within the Station Lands development using Capital City Downtown Community Revitalization Levy funding. The high level cost estimate for the Green and Walkable amenities associated with the development provided by the developer is \$24.3 million (\$10.6 million for Phase I and \$7.2 million for Phase II publicly accessible amenity spaces that would be an operating expenditure, plus \$6.5 million for 105 Avenue streetscape improvements that would be a capital expenditure).

(3) Administration is initiating a further request of approximately \$20 million for the Green and Walkable streetscape improvements on 103A Avenue between 97 Street and 101 Street to lessen the on-street impacts of the pedway. This work would be funded by the Capital City Downtown Community Revitalization Levy.

This report outlines the recommended City contribution, trade offs, and next steps with respect to these items. This report was initiated at the request of the developer, and if approved by Council, Administration would work to negotiate agreements with the developer on the components above. This would include each item being thoroughly assessed by Administration. Funding the pedway would be conditional upon City Council and provincial approval of an amendment to the Capital City Downtown CRL Plan and Bylaw, as the Capital City Downtown CRL Plan does not currently allow the CRL to fund this pedway.

The Station Lands project is an opportunity to transform a prominent site in Downtown that has been undeveloped for decades. It would advance the Capital City Downtown Plan's goals to create a sustainable, vibrant, accessible, and well-designed community, as well as The City Plan objective to "preserve and strengthen the role of City Centre". According to the developer, the first phase of the Station Lands project would represent a \$184 million private investment and create up to 1,000 full-time equivalent jobs. Future phases planned by Qualico (Station Lands Ltd.) could include an additional investment of up to \$657 million, with full build out totalling \$841 million.

Report

Qualico (Station Lands Ltd.) is developing a large site in Downtown known as Station Lands shown in Attachment 1. The site is located between 97 Street and 101 Street, south of 105 Avenue. EPCOR Tower was developed on the site in 2012 but the remainder of the site is still undeveloped. A Development Permit has been approved for two new towers, which include 485 residential units and 1,938 square meters of commercial space. Qualico's (Station Lands Ltd.) long-term plan for the site includes a total of six towers.

Qualico (Station Lands Ltd.) has indicated that commitment for both public and publicly accessible infrastructure from the city is needed to de-risk their initial investment of \$184 million. Administration has been working with Qualico (Station Lands Ltd.) since 2019 to explore potential City financial support for the following:

- a) The City share the cost of developing multiple public amenity areas on and around their site that could include landscaping, a childrens' play area, a performance stage, and water features. These amenities would be publicly accessible, privately-owned open spaces in the downtown, available for use by arts groups, festivals and community organizations.
- b) The City commitment to completing an underground pedway in partnership with Qualico (Station Lands Ltd.) from Churchill LRT station to Station Lands.

Qualico's (Station Lands Ltd.) proposal describing their development, anticipated benefits of the amenity spaces and 103A Avenue Pedway, as well as cost estimates associated with the projects is included as Attachment 2.

Entering into an agreement with Qualico (Station Lands Ltd.) will provide an opportunity to refine cost-sharing principles. An Agreement Term Sheet is included in Attachment 3. Budget approvals are required as the Agreement, and any borrowing or local improvement bylaws all require funding sources.

The financial impact of the recommendations on the Downtown CRL are a function of a number of variables, including the timing of City expenditures and Qualico's (Station Lands Ltd.) development of additional buildings on the site. If Qualico (Station Lands Ltd.) develops Phase I plus one additional building, and the entire recommended City contribution is spent, the amount available to fund other CRL projects is reduced by an estimated \$27 million. However, this is offset by reducing the allowance for future projects by the cost of the 103A Avenue and 105 Avenue streetscape improvements. Taken together, the effect on projected CRL finances is minimal. Details of how the recommendations impact the CRL revenue scenarios are included in Attachment 4.

A breakdown of the cost estimates associated with each element of this proposal is included in Attachment 5.

Publicly Accessible Amenity Spaces

The Capital City Downtown Community Revitalization Levy (CRL) Plan identified Green and Walkable Downtown - Other Streetscape Improvements as a catalyst project. The publicly accessible amenity spaces identified in Attachment 6 align with the Plan's description of Green and Walkable projects and would be eligible for funding through the Capital City Downtown Community Revitalization Levy.

The amenity spaces offer several benefits to Edmontonians by providing high-quality publicly accessible space and creating attractive pedestrian linkages between the downtown and Chinatown areas. Development of the spaces advances The City Plan direction to “improve local open space and public amenities to support density increases” and supports the objective to “preserve and strengthen the role of the City Centre”. The cost-sharing approach aligns with The City Plan by promoting collaboration with private developers on innovative and creative solutions for permanent infrastructure and amenities that support the public realm. A publicly accessible amenity space in this area is also identified in the Downtown Public Places Plan. These amenities would also support downtown vibrancy.

Qualico (Station Lands Ltd.) provided a cost estimate of \$10.6 million for development of the publicly accessible amenity spaces associated with the initial phase of their development. The estimated cost to build publicly accessible amenity spaces for future phases of their development is an additional \$13.7 million (\$7.2 million for publicly accessible amenity space plus \$6.5 million for 105 Avenue streetscape improvements). Administration recommends approval of this amount, of which \$17.8 million is considered an operating grant as it relates to improvements on private property, and \$6.5 million a capital expense as it relates to improvements on City property.

Administration seeks Council approval to enter into an agreement with Qualico (Station Lands Ltd.) to establish the parameters of the City’s contribution to these amenity spaces. The recommended funding source for the City’s contribution is the Downtown CRL. Budget adjustments are recommended as part of this report.

Payment would only occur once development takes place. In other similar projects, Administration determined what the value of typical development standards paid for by the developer would be versus enhancements eligible for CRL funding. Administration has not undertaken an assessment of operating costs or an operating formula for the pedway at this time.

In addition, Administration recommends improving the pedestrian environment on 103A Avenue NW between 97 Street NW and 101 Street NW to help balance the possible impact of the pedway and ensure street vibrancy is supported. It is estimated the above grade improvements would cost up to \$20 million. This work is not required to advance the Station Lands development but has been identified as a potential opportunity by Administration. This work could be fully funded by the Downtown CRL. Proposed budget amendments for the publicly accessible amenity spaces, 105 Avenue and 103A Avenue streetscape improvements are detailed in Attachment 7.

103A Avenue Pedway

The 103A Avenue Pedway would be an underground pedestrian tunnel from the north end of Churchill LRT Station to the Station Lands site, with a connection to the Royal Alberta Museum along the way. It would be located above the Metro Line LRT tunnels,

below 99 Street, 103A Avenue, and on a provincially owned parcel. A diagram showing the pedway's location is available in Attachment 8. The cost to the City is up to \$26.5 million for design and construction of the pedway. In the event the pedway cost exceeds \$26.5 million, the city and developer will explore alternative funding approaches such as a local improvement levy, conditional upon a local improvement bylaw being passed by Council prior to construction starting, or grants for the cost increase component. A capital profile for the 103A Avenue Pedway is included in Attachment 9.

The pedway project aligns with The City Plan direction to “design, build, maintain and operate public infrastructure to facilitate movement and universal accessibility in all seasons”, by providing a convenient accessible connection between Churchill LRT Station, the Royal Alberta Museum, and a major mixed-use development (Station Lands).

Completion of the pedway would provide a way for future expansion of the Downtown District Energy system to include connections to Station Lands and other sites north of 103A Avenue. Qualico (Station Lands Ltd.) supports this expansion of the District Energy system and is willing to commit to accommodating it and continuing to explore the possibility to connect the development to the District Energy system. The Downtown District Energy Initiative project team is currently preparing a feasibility study for the connection to Station Lands.

The Capital City Downtown Plan and Winter City Design Guidelines urge caution and consideration of potential negative impacts before further expanding the pedway system. Further, construction of the pedway may impact the potential future street-level vibrancy of 103A Avenue. Though Administration does not generally support new pedway construction, the particulars of this site, potential district energy connection, development potential, and short-term impacts of job creation and economic impact need to be considered.

It should be noted that a pedway at this location was first conceived as an element of the Galleria Project (also known as the Edmonton Downtown Academic and Cultural Centre). The Galleria was envisioned as a mixed-use development that included theatres, space for the University of Alberta, publicly accessible amenity spaces, and commercial development. It included the lands that make up the Station Lands site. In 2014, City Council approved Capital Profile 14-17-5037 Galleria Project - Pedway Connection, to construct the 'shell' of the pedway north of 103A Avenue. The initial budget was \$4.4 million, which was adjusted to \$7.5 million in 2015. The shell consisting of the walls and roof of the future pedway was completed in 2016 at a cost of \$3.8 million. No work was completed under 103A Avenue or 99 Street.

In 2015, a Local Improvement Levy was proposed to fund construction of the rest of the pedway. The City's maximum contribution to the pedway project was set at \$7.5 million which would ultimately be funded by the Capital City Downtown CRL. The Local Improvement did not proceed and the pedway was not completed. In 2018, The Galleria

Foundation announced that the project was suspended and the project has not progressed.

Community Revitalization Levy Plan Amendment Needed

The pedway is not eligible for funding from the Capital City Downtown Community Revitalization Levy (CRL). The CRL Plan includes a contribution to the Edmonton Downtown Academic and Cultural Centre as a catalyst project which included the 103A Avenue Pedway as a component. However, the opportunity to pay for the pedway ended when the Galleria Project ended.

Administration is proposing that the Capital City Downtown CRL Plan be amended to include the 103A Avenue Pedway as a catalyst project. This would allow the CRL to fund the portion of the pedway on public land. If City Council directs Administration to amend the Capital City Downtown CRL Plan, Administration would also make additional minor changes to the text of the Plan, such as clarifying the scope of Catalyst projects and other 'housekeeping' items.

Amending a CRL Plan is a multi-step process. First, Administration would prepare an amended Capital City Downtown CRL Bylaw and Plan for Council's consideration at a Public Hearing. After the Public Hearing, the amended Bylaw would be sent to the provincial government for approval by the Lieutenant Governor in Council. Administration would contact the provincial government in advance to gauge their openness to amending the Capital City Downtown CRL Bylaw and Plan for this purpose and estimate the likely time required for provincial review.

Proposing a CRL Plan amendment to the provincial government is not without risk. The Province could reject the amendment, or propose other changes to the CRL Plan. The timeline for provincial approval is not within the City's control. To date only the Rivers District Community Revitalization Levy Bylaw and Plan in Calgary has been amended. In Calgary's case, the River's District CRL Regulation A.R. 266/2018 was extended from 20 to 40 years. In 2019 The Rivers District Community Revitalization Levy Bylaw 27M2007 was amended (Bylaw 2M2019) with new catalyst projects added, such as the BMO Convention Centre and Victoria Park Infrastructure for \$475 million plus additional projects for a total increase of \$755 million. This was approved by the Provincial Order in Council 038/2019.

Public Engagement

Public engagement was not undertaken for this report. This report is based on discussions with Qualico (Station Lands Ltd.) and its representatives concerning confidential commercial interests. Any capital projects that are approved related to Qualico's (Station Lands Ltd.) request will follow standard City public engagement practices.

Budget/Financial

If City Council directs Administration to enter into an agreement, Administration will develop a framework for sharing costs with Qualico (Station Lands Ltd.). Capital and operating budget approvals will not exceed \$24.3 million for the amenity areas or \$26.5 million for the 103A Avenue Pedway. If the pedway costs more than \$26.5 million the city and developer will share alternative funding approaches such as a local improvement levy, conditional upon a local improvement bylaw being passed by Council prior to construction starting, or grants for any cost increase component. Pending Council direction, all capital, operating costs and agreements would be further refined and evaluated, and design and construction of the pedway will only proceed if the Downtown CRL amendment is approved. If approved, operating impacts of capital would need to still be determined and approved separately starting the year the asset goes into service, as the responsibility for these costs will be negotiated with the developer.

Administration further recommends using up to an additional \$20 million of Downtown CRL debt for streetscape improvements on 103A Avenue between 97 and 101 Streets.

If the Capital City Downtown CRL Plan is not amended, CRL funding may not be applied to the 103A Avenue Pedway. CRL funding may be applied to Green and Walkable amenities without amending the CRL Plan, as Green and Walkable is an approved catalyst project.

An analysis of how the recommendations in this report affect projected CRL revenues and expenses, and funding available for future Catalyst projects is included in Attachment 4.

CRL revenue is a function of the pace and volume of development, market value fluctuations, and property tax rates. Administration takes a conservative approach to CRL projections, and provides an update report to Council annually.

Legal

The *City of Edmonton Capital City Downtown Community Revitalization Levy Regulation* (AR 141/2013) outlined the requirements for the Community Revitalization Levy Plan. These requirements include the costs associated with the plan including the amount and timing of projected redevelopment capital costs, as well as the amount and timings of borrowings.

A Community Revitalization Levy Bylaw may be amended by City Council but in accordance with section 5(2) of the regulation the amendments will have no effect until approved by the Lieutenant Governor in Council.

An amendment to the plan would require the same process as passing the original plan including a public hearing.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is attractive and compact			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Catalyze Development and Community Transformation	Number of net new residential units in Community Revitalization Levy Areas	2019 Result: 21 2020 Result: 663	Increase over previous year
Catalyze Development and Community Transformation	Value of building permits issued in Community Revitalization Levy Areas	2019 Result: \$161 million 2020 Result: \$181 million	Increase over previous year

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Financial	CRL Revenues are inadequate to cover cost of projects	1 - rare	3 - major	3 - low	Update CRL projections and report to City Council annually Only propose new budgets if adequate funds are projected	
Legal/Regulatory	Provincial government rejects amendment to CRL Plan	3 - possible	3 - major	9 - medium		Communicate proposed amendments with the Province to proactively address any concerns
Legal/Regulatory	Provincial government proposes additional changes to the CRL Plan	1 - rare	3 - major	3 - low		Communicate proposed amendments with the Province to proactively address any concerns

Corporate Governance	Station Lands development does not proceed as expected. Less funds are available for other CRL projects	3 - possible	3 - major	9 - medium		Use the MOU to establish 'triggers' for City investments
Project Management	Costs for Pedway construction could be higher than estimated	3 - possible	3 - major	9 - medium		The city and developer will share alternative funding approaches such as a local improvement, conditional upon a local improvement bylaw being passed by Council prior to construction starting, or grants for the cost increase component

Attachments

1. Station Lands Site Map
2. Station Lands Project (MOU)
3. Agreement Term Sheet
4. Capital City Downtown CRL Plan Revised Projections
5. Cost Estimates
6. Station Lands Amenity Areas
7. Capital Profile CM-74-4100 Proposed Amendments
8. 103A Avenue Pedway Map
9. Capital Profile 21-50-9100 103A Avenue Pedway

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- K. Fallis-Howell, Acting City Solicitor