

Land Governance Strategy Update

Enterprise Land Development Program Update

Recommendation

That Executive Committee recommend to City Council:

1. That \$7.5 million be transferred from capital profile CM-16-2025 (Residential/Mixed Use Land Development Acquisition) to capital profile CM-16-2020 (Residential/Mixed-Use Land Development) to support a market driven residential land development disposition option, and that remainder of funds held for Capital Profile CM-16-2010 (Attachment 8) and Capital Profile CM-16-2020 (Attachment 9), be released.
2. That Administration prepare a revised Policy C511, the Land Development Policy, based on the recommended policy themes in Attachment 6 and return with a report in Q2 2020.
3. That Administration prepare a revised Policy C516B, Land Enterprise Dividend Policy, to further allocate Enterprise Land Development's retained earnings to city building projects including River Crossing and Exhibition Lands and return with a report in Q2 2020.

Previous Council/Committee Action

At the April 2, 2019, City Council meeting the following motion was passed:

That \$17.7M be approved, in addition to the \$4.83M approved on November 28, 2018, and all the remainder of the Capital Profile CM-16-2010, Industrial-Commercial-Investment Land Development, as outlined in Attachment 1 of the October 23, 2018 Financial and Corporate Services report CR_6388 continue to be held in abeyance until a report returns to Committee with an update in fourth Quarter 2019.

That all of the funding except for \$11.1 million as approved on November 28, 2018, for Capital Profile Number CM-16-2020, Residential/Mixed Use Land Development, as outlined in Attachment 1 of the October 23, 2018, Financial and Corporate Services report CR_6388 continue to be held in abeyance until a report returns to Committee with an update in the fourth Quarter 2019.

That Administration continue to consult the Real Estate Advisory Committee (REAC) and report back on the following:

- To obtain advice on defining development projects for City owned Land within Enterprise Land Development in alignment with City of Edmonton Vision 2050 and on defining the City's role in attracting private investment in such development projects; and
- To obtain advice on strategies to dispose of industrial and residential City owned land within Enterprise Land Development.
- To obtain advice on content for updates to Policy C511, the mandate of Enterprise Land Development, and further options for an entity to help catalyze or incent joint venture development in key city building areas (e.g. River Crossing, Rossdale, Exhibition Lands and the Quarters) including but not limited to options for an arms length independent organization like an Urban Renewal Authority.

That Administration pause Enterprise Land Development greenfield residential development, except for Laurel 10 and Laurel 22, and in the fourth Quarter 2019 return with a report with the following additional information:

- Recommendations related to revisions to Policy C511;
- A list of options for, and impacts of, disposing of City owned residential development lands within Enterprise Land Development, excepting Laurel 10 and Laurel 22, with the proceeds of such sale(s) being directed to "city building" programs within Enterprise Land Development, excepting development of greenfields for residential purposes;
- An update on the work done with the REAC.

At the September 3, 2019, Urban Planning Committee meeting the following motion was passed:

That, as part of the next Land Governance Strategy Update, currently scheduled for the November 18, 2019, Executive Committee meeting, Administration report on the possibility of employing Special Economic Zones (urban reserves) as a mechanism for development on the City of Edmonton-owned land parcels.

Executive Summary

This report provides an overview of the Enterprise Land Development program and an update on a comprehensive review undertaken since April 2019.

Administration recommends continued serviced lot development of the program's existing holdings at a market driven pace under a revised policy, governance structure and financial model and that capital funding be released and transferred to support continued serviced lot development.

This report also provides information on Special Economic Zones (urban reserves).

Report

Following the April 2, 2019 City Council meeting, Administration continued its work on the City's corporate real estate strategy. An important part of the corporate real estate strategy includes a review of the Enterprise Land Development program and its holdings.

Enterprise Land Development (ELD)

ELD is a self funded enterprise program, operating within the financial structure of Land Enterprise, that acquires raw land and invests in planning, engineering and servicing to create and bring serviced lots to the market for sale. ELD's activities are conducted in accordance with the Land Development Policy (C511). Revenue from lot sales funds future land acquisitions, development of existing land and provides an annual dividend to the City to offset tax levy requirements, pursuant to the Land Enterprise Dividend Policy (C516B).

The ELD program holds approximately 958 acres of land in various stages of development. Attachment 1 provides a map of ELD's holdings. Approximately 454 acres of land are identified for industrial commercial lot development (industrial commercial investment land) in the areas of Ellerslie, Gateway Boulevard, Goodridge Corners, Pylypow Industrial, Rampart Industrial, Roper Industrial and Southeast Industrial. Approximately 504 acres of land are identified for development into primarily greenfield residential lots (residential/mixed use land) in the areas of Aster, Goodridge Corners, Schonsee, Laurel and Hollick Keynon.

Industrial Commercial Lot Development

In 2019, Administration continued industrial lot development of existing holdings by:

- Completing development of three medium-sized industrial lots in Rampart Industrial and 37.5 acres of serviced business employment land in Goodridge Corners;
- Advancing development of a 14-lot subdivision in the Southeast Industrial area; and
- Undertaking feasibility work to determine the next phases of development in Ellerslie and Rampart Industrial.

The Gateway Boulevard property is currently subject to a sales contract and is expected to transfer in Q4 2019.

Greenfield Residential Lot Development

Administration has also continued with approved residential lot development in the Laurel neighbourhood. In July 2019, Council approved the transfer of six remaining ELD held residential lots in Hollick Keynon to Habitat for Humanity - Edmonton Society for \$1.00.

The City's residential lot development in the Laurel neighbourhood, The Meadows of Laurel, is now largely complete; however, final construction and warranty work will occur until 2022. Lot sales commenced this year through a staged lot draw process and will continue annually until 2022. Two thousand registrants entered into the lot draw and all the lots offered for sale this year sold.

As part of the lot draw process, Administration asked all registrants to complete a confidential online questionnaire to gather feedback on why registrants were interested in purchasing a residential lot from the City. The City received 2,000 responses to this survey. Responses varied, but the main themes included an "opportunity to build my own house," "the location" and that the interested purchasers "were entering the next stage of their life." Survey details and a profile of the City's development in Laurel are included in Attachment 2.

Throughout 2019, Administration also led a comprehensive review of the remainder of ELD's holdings, which included consultation with the Real Estate Advisory Committee (REAC) as well as advice from external consultants. PricewaterhouseCoopers (PwC) was retained to evaluate a list of options for, and the impact of, disposing of City-owned greenfield residential lands held within the program. Ernst & Young (EY) were retained to recommend revisions to the Land Development Policy (C511).

This review included assessing how the ELD program can support ConnectEdmonton, the Corporate Business Plan and the City Plan; better attract private investment to the city; and catalyze or fund key city building areas such as the River Crossing, Exhibition Lands or Quarters Land Development Projects.

The Real Estate Advisory Committee (REAC)

Administration held seven meetings with REAC between April and September to gather feedback on how to work together to build a future Edmonton. This included obtaining advice and recommendations on:

- the City's industrial portfolio;
- the City's greenfield residential portfolio;
- governance of and how to catalyze the River Crossing, Exhibition Lands and the Quarters development projects;
- key themes for the new Land Development Policy (C511); and
- disposal options for the City's greenfield residential land.

With respect to the City's industrial portfolio, REAC generally agrees with the City's development plans for its industrial holdings. Specifically, REAC advised that the City should consider using an external brokerage and should invest in areas which require the City to participate in front-ending or upgrading existing infrastructure.

With respect to the City's greenfield residential portfolio, REAC advised that after completion of lots sales in Laurel 22, the City should no longer develop greenfield serviced lots. Instead the City should invest in the planning stages of greenfield land development and sell larger parcels to the private sector to subdivide and develop.

Based on REAC's advice, Administration is actioning a number of items, including:

- Rezoning the Roper Industrial parcel before advancing it to sale;
- Exploring options to construct 157 Avenue through to Campbell Road in Rampart Industrial;
- Accelerating timelines for development in Ellerslie North; and
- Developing work plans so that plan amendments in Schonsee, Aster and Goodridge Corners are ready to proceed, if funding for Residential/Mixed-Use Land Development is released.

REAC determined that it was too early to advise on governance for the River Crossing project, that development of Exhibition Lands should be managed within Administration, and that the Quarters should continue under its existing governance structure. Administration is considering this advice and will bring forward governance recommendations with future project update reports on Exhibition Lands and River Crossing.

REAC also provided general feedback on how to catalyze the Exhibition Lands, River Crossing and the Quarters projects. Administration is considering this advice and determining next steps.

A summary of REAC's advice regarding the City's development projects is included in Attachment 3, REAC What We Heard. REAC's advice on the Land Development Policy (C511) and the residential disposal options, are captured in EY's and PwC's report (see Attachments 5 and 7), respectively.

Options for Disposition of City Owned Greenfield Development lands

To obtain advice on strategies to dispose of the City's greenfield residential land, Administration retained PwC to evaluate disposition options for the program's remaining greenfield residential areas: Schonsee, Aster and Goodridge Corners.

PwC's scope of work included evaluating proformas and budgets against market research and generating cash flow models. In direct response to Council's April 2,

2019 motion, which requested a list of options for and impacts of disposing of the ELD held residential lands, the PwC evaluation assumed that industrial land development would occur as planned and that ELD's approved 2019-2022 operating budget would be maintained, with a three percent annual increase of expenses. The evaluation also assumed that Administration would not purchase additional greenfield land for continued residential lot development. Disposition options ranged from developing and selling lots at a market driven rate to selling land on an as-is basis. A market driven rate in Aster and Goodridge includes developing lots on an accelerated basis, compared to Administration's original development plan.

The options support different revenues over time, with more revenue generated over a longer time through continued lot development. PwC's analysis also includes an impact assessment that evaluated using revenue to support broader City building initiatives, such as the development of River Crossing. Details of PwC's analysis are attached in Attachment 4, the Disposition Option Report, with a summary attached in Attachment 5, Summary of Disposition Options.

Using financial return on investment as the primary factor, PwC recommends the following (the "recommended option"):

- Schonsee: Continue to develop and sell development lots as planned.
- Aster: Develop and sell development lots on an accelerated basis.
- Goodridge: Develop and sell development lots on an accelerated basis.

The recommended option is estimated to generate \$181.1 million in total net profits and \$206.7 million in net future cash over a 30 year horizon. In contrast, expedited disposition of these land on an as-is basis is expected to generate approximately \$84.9 million in sale revenues. The difference between these two options is approximately \$121.8 million, with all values relating to development estimated within a 10 to 15 percent range of certainty.

Based on PwC's analysis and the recommended option, Administration is requesting release of the remainder of capital profiles CM-16-2010 (Industrial Commercial Investment Land Development) and CM-16-2020 (Residential/Mixed-Use land Development) as well as transfer of \$7.5 million from capital profile CM-16-2025 (Residential/Mixed-Use Land Development Acquisition) to capital profile CM-16-2020 (Residential/Mixed-Use Land Development).

Policy C511 - Recommendation of Policy Themes

Administration retained EY to provide recommendations on a new Land Development Policy (C511). EY reviewed current City goals, policies and priorities, researched best practises from other public sector development entities and carried out individual interviews with REAC members and small home builders.

EY's full report is included within Attachment 6. Their research supports a number of Land Development Policy (C511) themes, including mandate, governance, development guidelines as well as support for climate resilience and affordable housing. Attachment 7 provides summarized information on the following recommended policy themes:

- The program should continue to operate as a self funded enterprise, but it should adhere to new governance and reporting requirements, such as annual reporting to Council, internal bi-annual reporting to senior leadership and providing bi-annual development updates to REAC;
- Best efforts should be made to align the program objectives and development projects with the Corporate Business Plan, the City Plan and ConnectEdmonton;
- The program should determine commercially responsible sustainable features to incorporate into each development;
- The program should determine how to best support affordable housing initiatives in each residential development project;
- The City should not acquire new land for greenfield residential lot development; and
- Industrial land development should support front ending infrastructure costs or assist in opening up development in strategic areas.

If Council supports Administration's recommendations, Administration will return in Q2 2020 with revisions to the Land Development Policy (C511) that align to the recommended themes.

Policy C516B, Land Enterprise Dividend Policy

The Land Enterprise Dividend Policy (C516B) currently states that the Land Enterprise will pay an annual dividend to the City of Edmonton based on 25 percent of the actual net income of the land development activity of the Land Enterprise. Since the ELD program is a subset of the Land Enterprise, it pays a dividend based on its annual net revenue.

If Council supports PwC's recommended option (whereby Administration continues to develop and sell serviced-lots but does not acquire new land for greenfield residential lot development), the ELD program will accumulate surplus cash over time. This impact is explained in PwC's Impact Assessment in Attachment 3 and 4 and is not recommended by PwC or Administration.

Instead, if Council releases capital funding as requested, Administration will undertake work to review and update the Land Enterprise Dividend Policy (C516B) to support further allocation of ELD's retained earnings to fund city building initiatives, such as the River Crossing and Exhibition Lands Development projects. Administration will return

with recommended revisions to the Land Enterprise Dividend Policy (C516B) in Q2 2020.

Special Economic Zones (Urban Reserves)

In response to Urban Planning Committee's September 3, 2019 motion, an Urban Reserve is land located within an urban municipality, which has been designated reserve by the federal government, after initiation by a First Nation. Urban Reserves are normally created through the Addition-to-Reserve process when a First Nation purchases land within an urban municipality and uses their treaty land entitlement to have it designated as reserve.

Prior to achieving Urban Reserve status, the First Nation and municipality enter into agreements to address service provision such as water, garbage collection, and police and fire protection, as well as coordinating land use policies and transportation planning. Land with reserve status is not subject to municipal bylaws, policies, and taxation. Service agreements typically include a fee-for-service provision that may be equivalent to the tax collected from fee simple land.

An "Urban Holding," "Aboriginal Economic Development Zone," or "Urban Economic Zone" can refer to land within an urban municipality that has been purchased on the open market by a First Nation but has not transferred to reserve status, thus remaining under the jurisdiction of the municipality and subject to municipal bylaws, policies and taxation.

In either case, First Nation land holdings within urban municipalities can address the geographic remoteness of some First Nation communities. They can also provide economic opportunities to First Nation and non-First Nation businesses that are not available in remote areas, as well as employment and training opportunities for First Nation and non-First Nation people. Additional benefits often include revitalization of existing lands within municipalities, increasing municipal reputation as a leading centre for First Nation business, as well as improving relationships and supporting reconciliation efforts among all people who call Edmonton home.

If a First Nation is interested in initiating an Urban Reserve on City Land, Administration will work with the interested community to discuss the proposed area, including determining if the area is surplus to City needs, and further explore creation of an Urban Reserve.

Budget

If the recommendation is approved, the remainder of capital profile CM-16-2010, Industrial-Commercial-Investment Land Development (Attachment 8), and the remainder of capital profile CM-16-2020, Residential/Mixed-Use Land Development

(Attachment 9), will be released. These capital profiles are funded by ELD’s retained earnings within Land Enterprise and do not require tax levy funding.

Council’s release of the remainder of CM-16-2010 and CM-16-2020 will enable ELD to continue land development activities, achieve 2019-2022 Operating Budget projections and fund outstanding contractual commitments. Transfer of \$7.5 million from capital profile CM-16-2025 (Residential/Mixed Use Land Development Acquisition) to capital profile CM-16-2020 (Residential/Mixed-Use Land Development) will support the recommended residential land development disposition identified in Attachments 4 and 5.

A land development program is also one of the few revenue tools available to municipalities. The ELD program projects it will pay annual dividends totalling \$1.8 million over the 2019-22 budget cycle. If land development activities do not continue, Administration will need to determine an alternative funding source to offset the projected dividends. Decreased land development activities may also impact the Operating Budget tax levy as the levy recovers approximately \$1.14 million of costs annually from the program for space rental, parking, real estate and financial personnel support.

Public Engagement

Public engagement was not completed for this recommendation. The recommendation to Council is based on a comprehensive program review which was informed by insights from two external consultants. As the program continues, Administration will continue to involve stakeholders to enhance the City’s decision making related to Enterprise Land Development.

Corporate Outcomes and Performance Management

Corporate Outcome: The City has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Land sales generate revenue that supports City program delivery. The City of Edmonton has a resilient financial position.	Annual dividend payment.	2018 - \$0 2017 - \$3.393M 2016 - \$4.139M 2015 - \$2.708M	2019 -\$0 budget / \$977,000 actual 2020 - \$497,000 budget / \$2.921M current projection 2021 - \$759,000 2022 - \$544,000
Land sales create new tax proceeds that support City program delivery.	Number of developed sites sold.	2019: 77 residential lots sold and 5 commercial lots sold	2019: 77 residential lots sold and 5 commercial lots sold

Risk Assessment

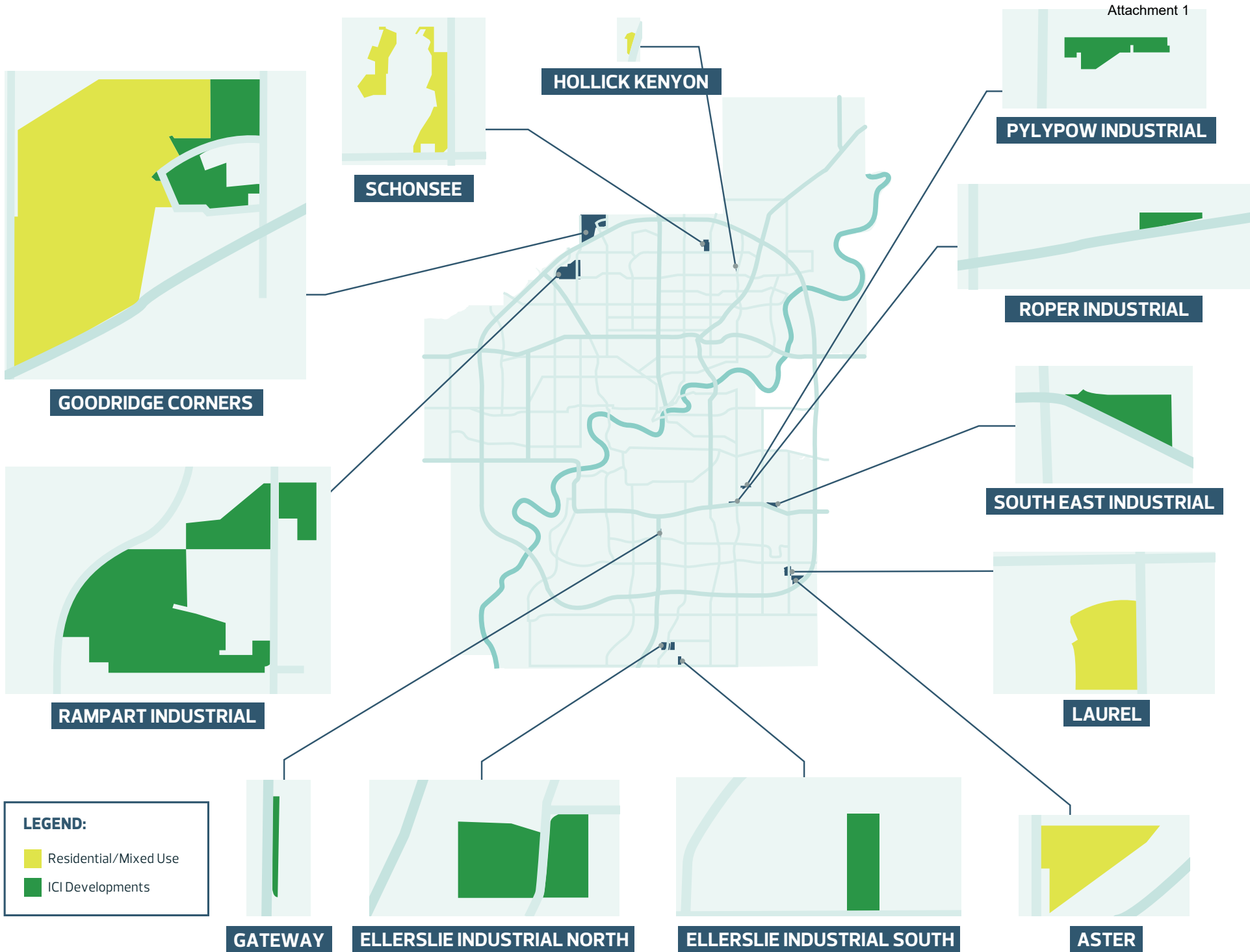
Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Risks if not approved						
Financial	Changes in funding from ELD projects could impact City funding sources	4	2	8 - Medium	Administration will need to determine an alternative funding source for ELD funded costs	None
Financial	Changes in funding could restrict the City's ability to fulfill existing contractual obligations	4	1	4 - Low	Termination clauses in existing contracts	None
Risks if approved						
Economic	Changes in real estate market will affect financial outcomes of ELD projects	3	2	6 - Low	Research and understanding the real estate market and land sale values	Same as current mitigation measures
Competition	The City will no longer have a share of the residential land development market	4	1	4 - Low	Policy C511 updates will guide land development activities	Mandatory Review of Policy C511 every 5 years

Attachments

1. Attachment 1: Map of ELD's Holdings
2. Attachment 2: Meadows of Laurel Profile
3. Attachment 3: REAC What We Heard
4. Attachment 4: PwC Recommended Disposal Options (Summary)
5. Attachment 5: PwC Disposal Option Report
6. Attachment 6: EY Recommended Policy Themes (Summary)
7. Attachment 7: EY Policy Review Report
8. Attachment 8: Capital Profile CM-16-2010, Industrial-Commercial-Investment Land Development
9. Attachment 9: Capital Profile CM-16-2020, Residential/Mixed-Use Land Development

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- K. Armstrong, Deputy City Manager, Employee Services
- R. Smyth, Deputy City Manager, Citizen Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor



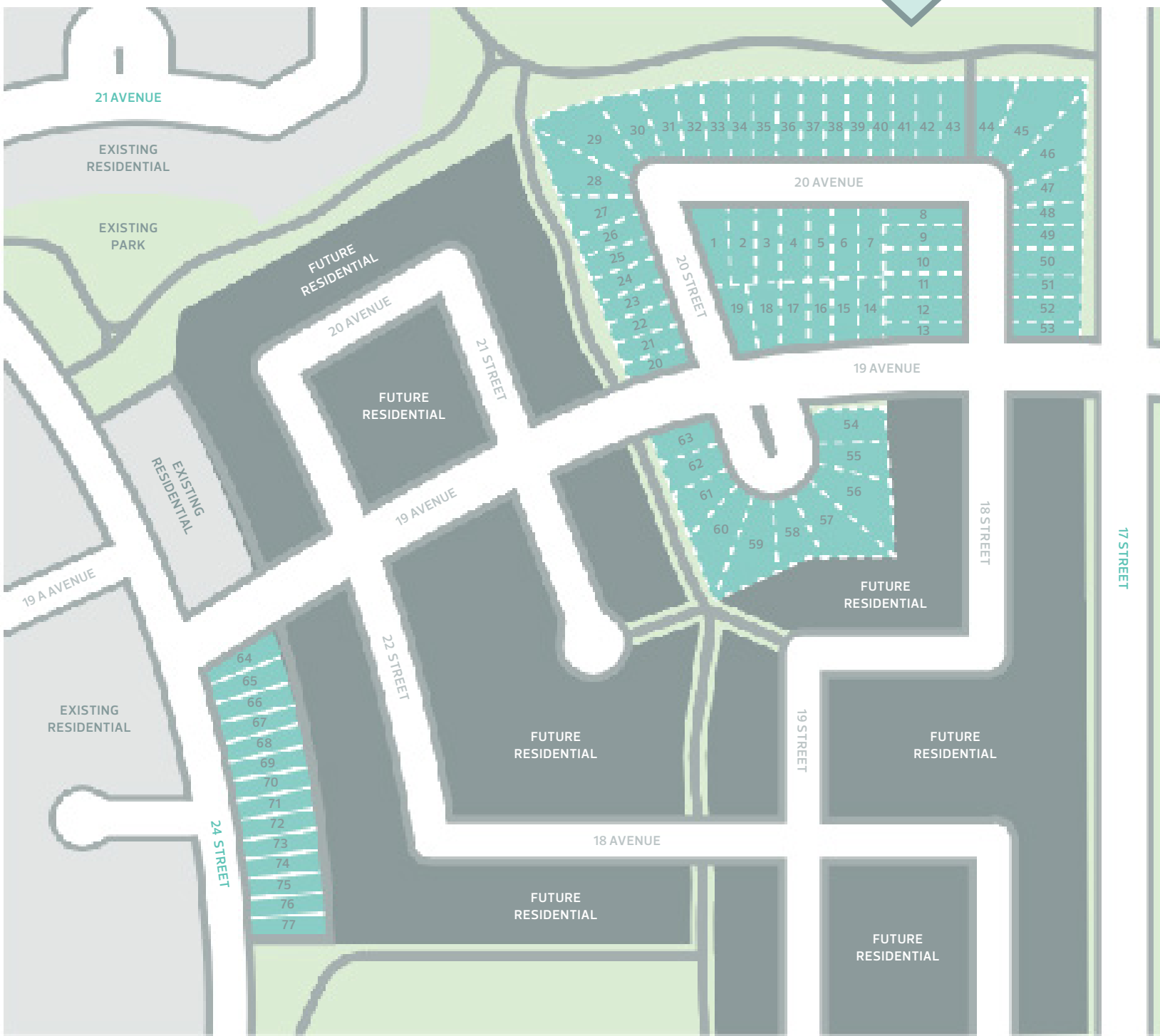
The Meadows of Laurel

About the Development

The City, through Enterprise Land Development (ELD), is finalizing construction of a 304 residential lot subdivision in the Laurel neighbourhood in southeast Edmonton. The Meadows of Laurel promotes the use of energy-efficient building practices and environmentally-responsible home construction.

Laurel 22 (The Meadows of Laurel) is a residential subdivision between 17 Street and 24 Street and 21 Avenue and 16 Avenue.

LOTS SOLD THIS YEAR



KEY AMENITIES



Playground



Svend Hansen K-9 School



Quick Access to Anthony Henday



Transit



Shopping



Major Grocery Retailers



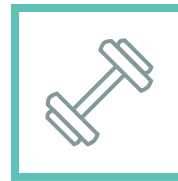
Swimming



Skating



Library



The Meadows Rec Centre



The Grey Nuns Community Hospital

Planning for the Meadows of Laurel began in 2016 and the sales of residential lots were divided into 4 annual groups of sales, starting in 2019. The City sold 77 lots in stage one through two public draws: a draw for 38 lots for certified green, professional builders, completed on March 25th, and a draw for 39 lots for individual builders, completed on April 15th. Another 69 lots are scheduled to be released for sale in Q1 2020. The remaining 158 lots are planned to be registered in 2020, and released for sale on a controlled basis in 2021 and 2022.

HISTORY

- A 64 hectare parcel was acquired by the City in 1985 and was primarily used for agricultural purposes until development work in the area began.
- The development was planned in stages, namely Laurel 10 and Laurel 22.
- Laurel 10 (Laurel Green) planning began in 2012 and residential construction was completed in 2017.

KEY SUSTAINABILITY COMPONENTS

- Third-party sustainability certification requirements (through organizations such as Energuide, BUILT GREEN, CHBA, and LEED Canada) to ensure that the home has achieved an EnerGuide rating of at least 15 per cent lower than the benchmark home on the EnerGuide label.
- Construction of all homes in The Meadows of Laurel must fulfill the NRCan Solar Ready Guidelines or the Canadian Solar Industries Association (CANSIA) guidelines.
- The City offers a Green Building Grant of \$10,000 to builders constructing to a Net-Zero standard and obtaining a third-party verified Canadian Home Builders Association (CHBA) Net-Zero label.

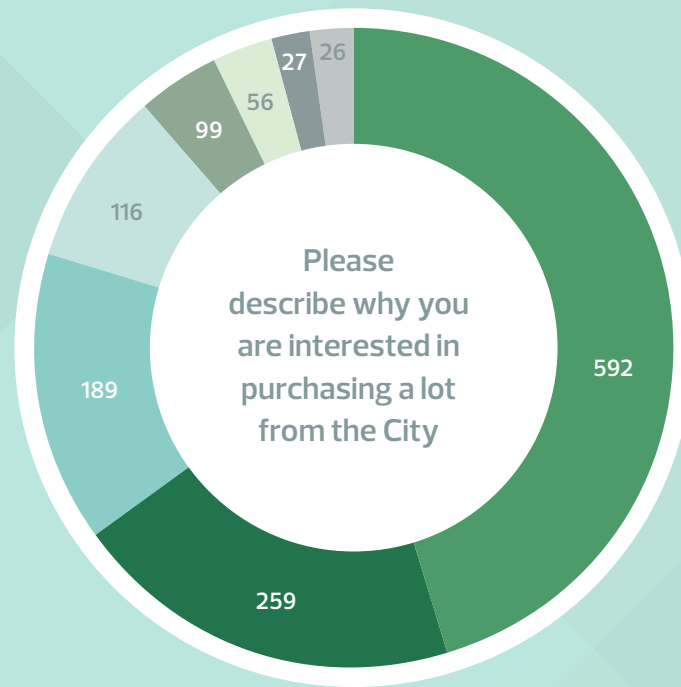
DESIGN GUIDELINES

The City mandates design guidelines as a means to protect the integrity of the development, provide flexible, sustainable options, and aid in the maintenance of property values and neighborhood aesthetics.

Public Lot Sales Survey Feedback

As a part of registration to the public lot sales event, the City asked all registrants to complete an online questionnaire.

In addition to answering demographic questions, 1,364 participants shared their perspectives in response to the following question:



The responses can be categorized into the following broad themes:

- Build My Own House
- Other
- Location
- Good Price
- Entering the Next Stage of Life
- Investment Opportunity
- Sustainability and the Environment
- Trust in COE

BUILD MY OWN HOME

592 interested buyers wanted to build a custom home tailored to their needs. Some wished to utilize their trade skills to construct their homes themselves.

LOCATION

Location factors such as community, schools and other amenities were mentioned 259 times. Interested buyers were attracted to the Meadows of Laurel as a family-friendly community. These potential buyers were interested in the proximity to a K-9 school, their work and the availability of a library, the Meadows Rec Centre, shopping. The green space surrounding the home was another attraction.

NEXT STAGE

The Next Stage response was collected 189 times and included newcomers to Canada, first-time home buyers, growing families looking for more space, retirees looking to downsize and those looking to upgrade to a newer space.

" I enjoy the meadows area, I reside in a larger home and would like to downsize to a smaller home. I have 2 kids who attend university and the meadows transit station is a god send to them. As well as my mother who lives with me, enjoys the area and it is very walking friendly. "

ENVIRONMENT

The sustainably-built and environmentally-friendly community was mentioned 116 times. These interested buyers cited sustainable building practices, reduction in energy bills due, solar ready homes and reducing their carbon footprint as reasons for their interest.

" Being an engineer working in capital projects for past 11 years with renewable energy / sustainability as major deal of my projects, I have come to realize the vital importance of reducing carbon footprint load on our mother earth. Buying this house from city will give me an opportunity at individual level to contribute towards betterment of our world where future generations will flourish. "

" Me and my girlfriend love the sustainability aspect of everything in life and we both believe that if everyone can change a little overall the impact would be huge. she writes her own sustainability blog and together we try to reduce our impact as much as we can, We seen this and believe it would be a great start!! "

GOOD PRICE

The reasonable price of the homes was mentioned 39 times.

INVESTMENT OPPORTUNITY

Using the home as an investment was mentioned 27 times. These potential buyers were small builders and families who saw the purchase as an opportunity for market entry or growth.

" I am a new immigrant, I am saving money to buy a house. This is the best opportunity that can make future for me in this country. "

TRUST IN THE CITY OF EDMONTON

26 respondents mentioned their trust in the City as a reason for purchasing a home in the Meadows of Laurel. The reasons included: contributing to the City budget vs. a private developer, trusting the City with their money, supporting a City offering of sustainable residential community and the growth of Edmonton.

" The revenue generated from this project by the City of Edmonton would stay in Edmonton & I am quite positive that City of Edmonton is going to spend their generated profit in city infrastructure and amenities where as the private developers use their profit for their own benefits and they spend it wherever they want & not necessary in Edmonton only. These kinds of projects should come more often from the City of Edmonton so that Edmonton has more and more sustainably-designed and environmentally-sensitive homes & Edmontonians can live better and with a healthy lifestyle. Thanks! "

What We Heard

Real Estate Advisory
Committee (REAC)

What We Asked

The City collected feedback from the Real Estate Advisory Committee (REAC) members regarding land held by Enterprise Land Development (the City) and for the City's development projects – River Crossing, Exhibition Lands and the Quarters.

GREENFIELD LAND DEVELOPMENT

Industrial and Residential Land Portfolio

The City solicited feedback on the Industrial and Residential land portfolio based on the following questions:

1. Which land holdings should the City continue to develop in alignment with ConnectEdmonton?
2. Which land holdings should the City consider selling without further development?
3. What opportunities exist for partnership within existing land holdings?
4. What opportunities for partnership exist for industrial land outside of the City's existing land holdings (should the City strategically acquire land)?
5. How can the City be more transparent?

CITY DEVELOPMENT PROJECTS

The Quarters

The following questions were used to collect feedback about the Quarters development:

1. How can we catalyze or incent development on City-owned land, specifically Armature, Kinistina, Boyle Renaissance Phase III, Five Corners?
2. Are there additional key land acquisitions for the City? What should be the priorities for public investment?
3. What is the solution for turning surface parking lots into developments?

4. What opportunities exist for the City to work with the private sector? What joint venture opportunities exist?
5. Should the City consider a change in governance for this project?

River Crossing

The following questions were used to prompt discussion on the River Crossing development:

1. How can we catalyze or incent development of River Crossing?
2. What opportunities exist for the city to work with the private sector?
3. What governance model is best for River Crossing?
4. What are the considerations for the activation of the power plant?

Exhibition Lands

The following questions were used to prompt discussion on the Exhibition Land development:

1. How can we catalyze or incent development?
2. Where and when are there joint venture and investment opportunities?
3. How can we activate momentum beyond the regional level?
4. Does the development staging here affect Major Development Projects such as Blatchford, River Crossing, Quarters, Station Pointe (marketability or timelines)?
5. What type of governance model should the City put in place?

What We Heard

GREENFIELD LAND DEVELOPMENT

Industrial Land Portfolio

- Consider using an external brokerage to support marketing and momentum of sales.
- Investing in industrial land development should be limited to areas within the City which require the City to participate in front-ending or upgrading existing infrastructure with the purpose of encouraging private sector participants to then step in to complete larger new or larger re-development opportunities within these areas.
- REAC generally agrees with the City's development plans for its industrial holdings.

Residential Land Portfolio

- After completion of lots sales in Laurel 22, the City should stop the development of serviced lots. The City should instead invest in the planning stages of land development and sell larger parcels to the private sector to subdivide and develop.
- Other than acquisitions that are needed to support orderly development of existing holdings, the City should not acquire more greenfield land for the purposes of residential lot development.
- REAC supports the City receiving funding to complete land use plan amendment work on its residential holdings in Aster, Schonsee and Goodridge.

CITY OF EDMONTON

Quarters

- City of Edmonton's listings, while at market value, are not offering enough incentive to developers to build and bring people to the area.
- REAC indicated that a significant barrier to development in the Quarters is the surface parking lots that exist. These lots are providing a return to owners and the owners are also receiving an increase in the market value of the land over time.

River Crossing

- Additional changes to the River Crossing development concept are required before any additional investment is made. It noted that the proposed plan is not significantly different from the existing land use plan and that implementation of the finalized plan should initially focus on investing in city building, rather than residential development, and on creating momentum and excitement for the area.
- Invest in further access improvements and transportation connections, such as removing Rossdale Road and further upgrading 105 Street.
- Activation of the Power Plant, while important, does not currently have commercial potential, and that city building costs versus development costs should be clearly defined.
- REAC felt it was too early to advise on governance for the project and that other land development projects (such as Exhibition Lands) will be viable for residential/commercial development sooner than River Crossing will be.

Exhibition Lands

- The development should be staged, starting with the southwest corner. This will create momentum, catalyze development and enable the City to support the densities it desires.
- The City should streamline a process around certainty for disposition timing, and cash flows.
- An external body should not develop and sell when the expertise and experience already exists within the City through Enterprise Land Development and the Real Estate branch.
- REAC generally supports the proposed land use plan.



GOODRIDGE

GOODRIDGE

SCHONSEE

HOLLICK-KENYON

RAMPART

EXHIBITION LANDS

THE QUARTERS

RIVER CROSSING

PYLYPOW

ROPER

SE INDUSTRIAL

LEGEND:

- Greenfield Industrial
- Greenfield Residential
- City of Edmonton

MEADOWS OF LAUREL

ASTER

ELLERSLIE NORTH

ELLERSLIE SOUTH

Site-Specific Advice

GREENFIELD INDUSTRIAL

Roper

Rezone the site from US (Urban Services) Zoning to IB (Industrial Business Zone) or IL (Light Industrial) and remove the on-site trees

Sell as a complete parcel after rezoning and tree removal

Southeast Industrial

Develop the lots as planned and use the revenue to develop Ellerslie North

Consider architectural controls as the surrounding area is built

Ellerslie North

Develop as soon as possible into smaller lot IB industrial lots

Consider using the revenue from Rampart and Southeast Industrial to develop this land

Ellerslie South and Pylypow

Hold for future development or sell as a complete parcel to support orderly development in the area

Rampart

Stage 2/4/6

List for sale, as these are in the final stages of development

Stage 8

Since this parcel is listed for sale, return to REAC for further discussion if the parcel does not sell

Future Stages

Construct 157 as soon as possible

Consider partnering with a developer (to help with marketing and creating momentum, along with access to clients/investors)

Goodridge

Stage 1

Continue to hold for EPS pending budget approval in 2019

Stage 2

List for sale, as this is in the final stages of development

Future Stages

Advance a land use plan amendment to identify the larger Stormwater Management Facility (SWMF) and consider amending the land use plan to identify all or at least a portion of the remaining industrial areas to residential

GREENFIELD RESIDENTIAL

Hollick – Kenyon

Advance the below-market transaction to Habitat for Humanity

Goodridge

Complete a land use plan amendment, which identifies the larger SWMF, removes the manufactured housing and changes the area identified as business employment in the NE to residential. This land use plan amendment could also consider moving the planned Town Center to the East of Goodridge Boulevard

In pursuing the land use plan amendment, recognize the value of the current density of the land use plan

Laurel

Proceed with staggered sales

It is unlikely that RSL (Residential Small Lot Zone) and RPL (Planned Lot Residential Zone) zoned lots will be marketable in 3 years so ELD should consider other options if the lots don't sell

Explore affordable housing opportunities where possible

Aster

Move forward with the ELD proposed plan amendment (relocating the Stormwater Management Facility) and sell as a large, complete development parcel

Schonsee

General

Complete a land use plan amendment and rezoning (as outlined below) and sell the remaining land as developable parcels, but not developable lots

West

Rezone to RMD (Residential Mixed Dwelling Zone)

North

Complete the land exchange to the North to support developable parcels

Continue negotiating with the owner to the NE regarding their proposed land use plan amendment

East

Investigate a land use plan amendment to remove the multi-family areas, supporting the density change with the RMD zoning amendment on the West

What We Are Doing

Based on the feedback from REAC, below are a few key activities the City is advancing:

SITE & FEEDBACK	ACTIONS
Roper Rezone the parcel from Urban Services to Industrial zoning	<ul style="list-style-type: none">• Rezoning application has been submitted to change the zoning from Urban Services Zone (US) to Industrial Business Zone (IB)• Outline Plan Amendment has been submitted• Phase I ESA has been completed
Rampart Industrial Explore options of constructing 157 Avenue through to Campbell Road soon	<ul style="list-style-type: none">• An independent consultant has been engaged to undertake preliminary engineering work to determine options for constructing 157 Avenue• Stage 8 will return to REAC for further advice• Lots in Stage 2/4/6 are being listed for sale
Ellerslie North Accelerate timelines for development	<ul style="list-style-type: none">• The City is building out a detailed proforma to support developing this area sooner including the offsite work that would be required• Evaluation of the Province's land that has been listed for sale
Schonsee Amend plan to remove the portion of medium density residential in the southeast portion of our land holdings	<ul style="list-style-type: none">• The City is evaluating options to increase density in the West as well as the East through the use of Residential Mixed Dwelling Zone (RMD). The City hopes to increase density in other areas that will allow us to remove the block of medium density• The City has created a work plan to advance a plan amendment, if funding is released by Council• Stage 1 Business Employment Lands are being held for EPS, pending budget approval consideration• Stage 2 Business Employment Lands are being listed for sale
Aster Amend the plan to turn the central wetland into a naturalized constructed wetland	<ul style="list-style-type: none">• The City has created a work plan to advance a plan amendment and a Natural Area Management Plan, if funding is released by Council

SITE & FEEDBACK	ACTIONS
<p>Goodridge Corners</p> <p>Amend the plan to remove the business area in the NE and shift the town center</p>	<ul style="list-style-type: none"> • The City has created a work plan to advance a plan amendment, if funding is released by Council • Stage 1 Business Employment Lands are being held for EPS, pending budget approval consideration • Stage 2 Business Employment Lands are being listed for sale
<p>SE Industrial</p>	<ul style="list-style-type: none"> • The City is continuing development in SE Industrial, as planned, pending final approvals from Alberta Environment and Parks • The City plans to include architectural controls in this development
<p>River Crossing</p> <p>Upcoming reports and decisions</p>	<ul style="list-style-type: none"> • Rossdale Land Transfer Agreement (Oct 2019) • Land Governance Strategy (Nov 2019) • Gondola Feasibility (Dec 2019) • RE/MAX Field Update (Q4 2019) • Municipal Historic Area (Q1 2020) • Power Plant Capital (Q2 2020) • Rossdale ARP Amendments (Q3 2020) • River Crossing Governance (TBD) • River Crossing Funding (TBD)
<p>Exhibition Lands</p>	<ul style="list-style-type: none"> • Land Development Application Q4 2019 – Q1 2020 • Supplemental Operating and Capital Budget Adjustment Requests Q4 2019 • Define and Establish Governance Q1 2020 • Implementation Strategy Preparation Q1 – Q2 2020 • Prepare Qualification Criteria and Request for Proposals Q2 – Q3 2020 • Site transition management Ongoing
<p>Quarters</p>	<ul style="list-style-type: none"> • Continuing with the current approach • Continuing to catalyze development on public land, including Armature Block, Kinistinaw Block, Boyle Renaissance Phase III, Five Corners • Continuing to catalyze development on privately held land

City of Edmonton

Options for Disposing of City-Owned Greenfield Residential
Development Lands – Summary of Report

October 7, 2019

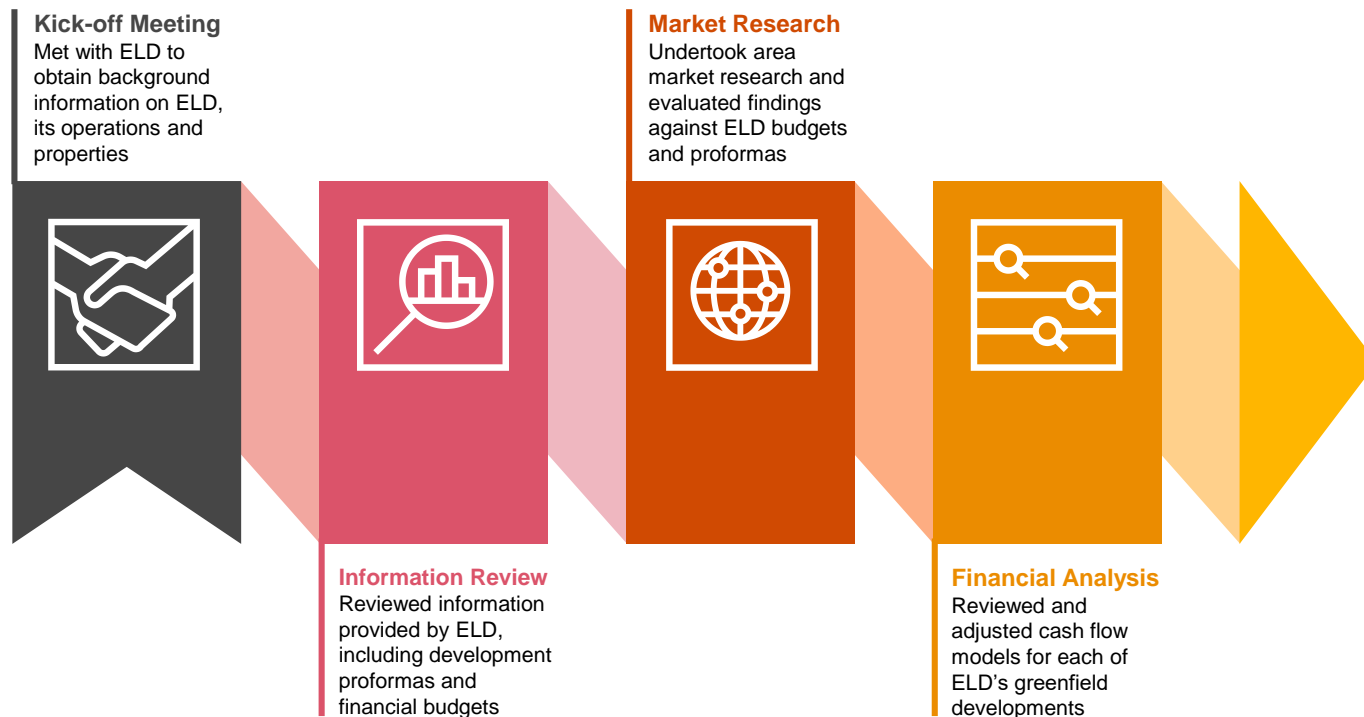


1

Background

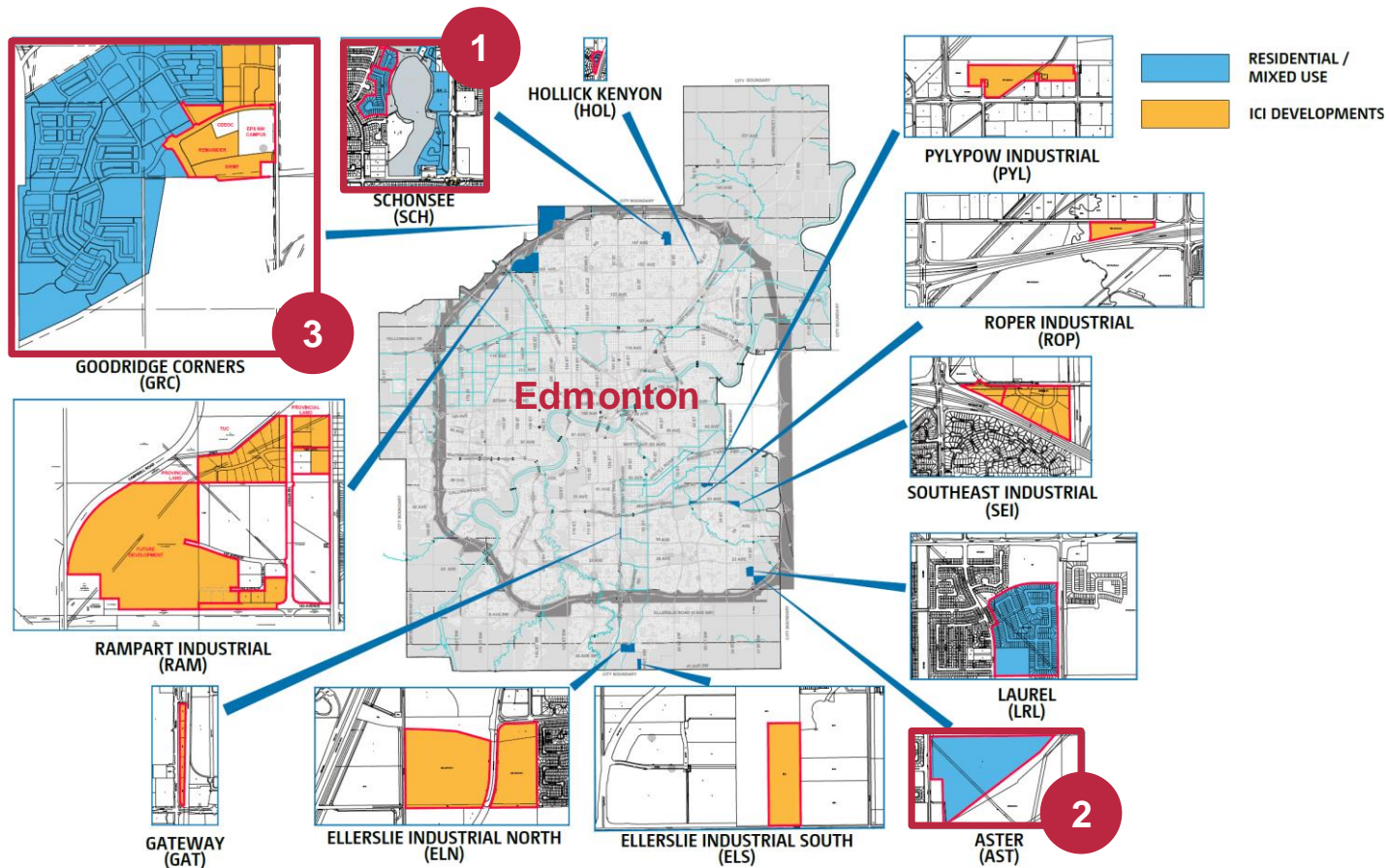
Background

- On April 2, 2019, Edmonton City Council adopted a motion for City Administration to return with a **report evaluating a “list of options for, and the impact of disposing City of Edmonton (“City”)-owned residential development lands held within Enterprise Land Development (“ELD”), with the proceeds from such sale(s) being directed to City building programs within ELD, excepting development of greenfield lands for residential purposes”**.
- In being awarded this mandate, PwC’s scope of work included:



Background

- The scope of work is focused on ELD's greenfield residential development land holdings, namely **Schonsee**, **Aster** and **Goodridge Corners**. Laurel, nearly fully developed and in the process of being marketed and sold, and Hollick Kenyon, given it has been transferred to Habitat for Humanity, have not been considered in this Report.



1

Schonsee

Schonsee - Overview

- Schonsee is a new neighbourhood located in north-central Edmonton. The neighbourhood is bounded by 167th Avenue to the south, 66th Street NW to the east and 82nd Street NW to the west.
- Schonsee comprises 33 acres of land surrounding the Schonsee Wetlands; the property is currently unserviced and undeveloped.
- The property is expected to feature low and medium density residential over five phases of development. Due to the presence of the Schonsee Wetland, the property's development phases are expected to be smaller than typical suburban development sizes.
- Stages 20 and 21 of the property are contemplated to yield a total of 85 single family lots (66 lots in Stage 20 and 19 lots in Stage 21). To the east of the Schonsee Wetland, an additional low density area containing approximately 82 lots and a 9.6 acre area proposed for medium density uses are proposed; these lands are currently not zoned for development.

Schonsee Land Summary

Stage	Zoning		Acres ⁽²⁾	Lots ⁽³⁾
	Current	Future ⁽¹⁾		
Stage 20	RSL	LD	9.1	66
Stage 21	RSL	LD	2.9	19
Future Stages (LD) ⁽¹⁾	AG	LD	11.6	82
Future Stages (MD) ⁽¹⁾⁽⁴⁾	AG	MD	9.7	-
Total			33.3	167

(1) LD = low density residential, MD = medium density residential

(2) Approximate gross developable area

(3) Low / medium density residential lots

(4) Sold as zoned, serviced land and not developed into lots



Schonsee – Disposition Option Analysis

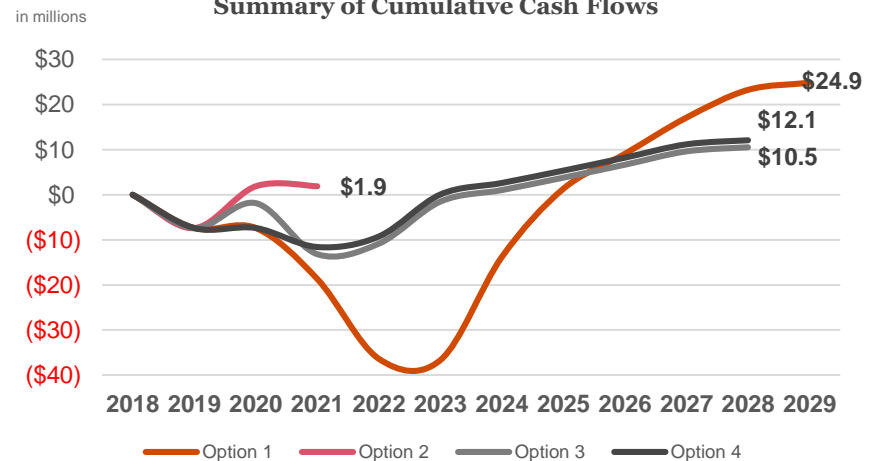
- **Option 1 (Status Quo)** ELD continues to plan, develop, service and sell building and development lots as currently contemplated.
- **Option 2 (Quick Sale)** ELD sells the entirety of the Schonsee Lands, on an as-is basis, to a private third party, with no additional expenditures being made. The land is assumed to sell as currently zoned (Stages 20 and 21 as low density residential and the future development lands as Agriculture).
- **Option 3 (Development and sale of the Stage 20 and 21 lands; Quick sale of Future Development Lands)** ELD continues to plan develop, service and sell the building lots associated with the Stage 20 and 21 lands, but sells the Future Development Lands on an as-is basis to a private third party.
- **Option 4 (Development and sale of the Stage 20 and 21 lands; sale of Future Development Lands upon their rezoning to low and medium density residential)** ELD continues to plan develop, service and sell the building lots associated with the Stage 20 and 21 lands, and sells the Future Development Lands to a private third party upon obtaining the rezoning of the lands to low and medium density residential.

Summary of Financial Impacts

Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$24.9M	\$14.1M	\$32.3M	12.8%	6 yrs	\$12.12M	\$26.2M
2	\$1.9M	\$1.5M	\$9.3M	25.6%	1 yrs	\$12.13M	\$13.6M
3	\$10.5M	\$6.8M	\$17.9M	16.3%	4 yrs	\$12.02M	\$18.8M
4	\$12.1M	\$8.0M	\$19.5M	17.6%	4 yrs	\$12.02M	\$20.0M

Please see Appendices A2 and A5 for key assumptions and inputs
 (1) Discounted at 4.0% annually
 (2) From 2019 to sale of last lot or parcel of land (excludes forecasted City recoveries)
 (3) Municipal taxes forecasted for a period of 30 years (2019 to 2048)
 (4) Excludes historical land and other costs incurred to-date

Summary of Cumulative Cash Flows



Note: Timelines represented in this graph reflect forecasted City recoveries.

2

Aster

Aster - Overview

- Aster is a new neighbourhood in the southeastern quadrant of Edmonton, bounded by Anthony Henday Drive to the south and east, 17th Street SE to the west, and the future 23rd Avenue corridor to the north.
- ELD's holdings in the Aster neighbourhood comprise of approximately 53 acres in its southern portion which includes several natural water features and wetlands, rendering its gross developable area to be in the range of 48 acres.
- ELD's proposed development includes primarily low density single family residential lots, with two areas of row housing and a small section for medium density residential.
- The development calls for a total of 259 single family lots to be created over approximately 39.0 acres with an additional 2.8 acres dedicated to medium density uses
- The property is currently zoned AG (agriculture)

Aster Land Summary

Dwelling Type	Zoning		Acres ⁽²⁾	Lots ⁽³⁾
	Current	Future ⁽¹⁾		
Single Family ⁽⁴⁾	AG	LD/MD	44.8	259
Multi-Family	AG	LRA	2.8	-
Total			47.6	259

(1) LD = low density residential, MD = medium density residential, LRA = low rise apartment

(2) Approximate gross developable area

(3) Low / medium density residential lots

(4) Expected to be zoned 90.1% low density residential and 9.9% medium density residential, on a total front foot basis.



Aster – Disposition Option Analysis

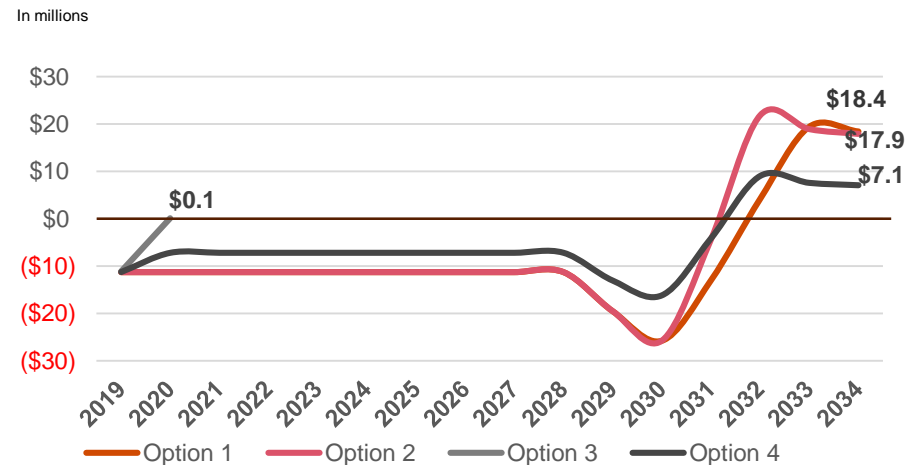
- **Option 1 (Status Quo)** ELD continues to plan, develop, service and sell building and development lots as currently contemplated.
- **Option 2 (Accelerated Absorption)** ELD continues to plan, develop and service building and development lots as currently contemplated, with sales occurring on an accelerated basis.
- **Option 3 (Quick Sale)** ELD sells the entirety of the Aster Lands, on an as-is basis, to a private third party, with no additional expenditures being made. The land is assumed to sell based on its current zoning.
- **Option 4 (Development and sale of 50% of single family land plus the low-rise apartment land; Quick sale of remaining land)** ELD continues to plan develop, service and sell the building lots associated with 50% of the future-low density land as well as selling the low-rise apartment land; the remaining low density residential-intended land is sold on an as-is basis to a private third party.

Summary of Financial Impacts

Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$18.4M	\$5.7M	\$29.5M	7.0%	14 yrs	\$11.17M	\$21.3M
2	\$17.9M	\$6.0M	\$29.0M	7.3%	13 yrs	\$11.46M	\$21.9M
3	\$0.1M	(\$0.3M)	\$11.2M	-	1 yrs	\$11.51M	\$13.7M
4	\$7.1M	\$0.9M	\$18.2M	4.9%	13 yrs	\$11.48M	\$15.9M

Please see Appendices A3 and A5 for key assumptions and inputs
 (1) Discounted at 4.0% annually
 (2) From 2019 to sale of last lot or parcel of land (excludes forecasted City recoveries)
 (3) Municipal taxes forecasted for a period of 30 years (2019 to 2048)
 (4) Excludes historical land and other costs incurred to-date

Summary of Cumulative Cash Flows



3

Goodridge Corners

Goodridge Corners - Overview

- Goodridge is a planned development in northwestern Edmonton located north of Anthony Henday Drive, near the intersection of the Anthony Henday and 127th Street NW. The Goodridge site borders the Sturgeon County to the north and the City of St. Albert to its west.
- The Goodridge site comprises of approximately 440 acres of which approximately 409 acres is associated with future stages. The land is currently zoned AG (agriculture).
- ELD's development concept for the property envisions a mixed-use community featuring a combination of low and medium density residential over 14 future stages (Stages 3 to 16). The neighbourhood is expected to yield 1,327 single family lots on 336.3 acres. In addition, 48.5 acres low rise apartment and 10.5 acres of mixed-use lands are also envisioned.

Goodridge Corners Land Summary

Stage	Acres by Use ⁽¹⁾				Total	Lots ⁽³⁾
	LD ⁽²⁾	MD ⁽²⁾	LRA ⁽²⁾	Mixed-Use		
Stage 3	13.6	-	-	-	13.6	95
Stage 4	18.6	-	-	-	18.6	120
Stage 5 ⁽⁴⁾	24.3	-	-	-	24.3	110
Stage 6	-	-	13.6	-	13.6	-
Stage 7	28.8	-	-	-	28.8	84
Stage 8	36.1	-	-	-	36.1	146
Stage 9	8.2	6.4	10.1	-	24.8	46
Stage 10 ⁽⁴⁾	54.6	6.4	-	-	61.0	116
Stage 11	24.0	-	-	-	24.0	105
Stage 12	14.7	-	-	10.5	25.2	76
Stage 13	20.2	-	10.8	-	31.0	112
Stage 14	37.2	2.5	-	-	39.8	195
Stage 15 ⁽⁴⁾	13.4	20.9	-	-	34.3	121
Stage 16	-	6.2	14.0	-	20.2	-
Total	293.8	42.5	48.5	10.5	395.3	1,327

(1) Approximate gross developable area (including areas to be allocated for roads, ponds, parks, etc.)

(2) LD = low density residential, MD = medium density residential, LRA = low-rise apartment

(3) Low / medium density residential lots

(4) Stages 5, 10, and 15 have been amended to low density residential uses per ELD instruction for the purpose of this analysis.



Goodridge Corners – Disposition Option Analysis

- **Option 1 (Status Quo)** ELD continues to plan, develop, service and sell building and development lots as currently contemplated.
- **Option 2 (Accelerated Absorption)** ELD continues to plan, develop and service building and development lots as currently contemplated, with sales occurring on an accelerated basis.
- **Option 3 (Quick Sale)** ELD sells the entirety of the Goodridge Lands, on an as-is basis, to a private third party, with no additional expenditures being made. The land is assumed to sell as agriculture, as is currently zoned.
- **Option 4 (Development and sale of Stages 3, 4, and 5; Quick sale of remaining land)** ELD continues to plan develop, service and sell the building lots associated with Stages 3, 4, and 5, and sells the remaining land, on an as-is basis, to a private third party, with no additional expenditures made. The land is assumed to sell as agriculture, as is currently zoned.

Summary of Financial Impacts

Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$151.0M	\$78.7M	\$159.1M	38.1%	29 yrs	\$55.26M	\$134.0M
2	\$138.3M	\$79.1M	\$146.4M	45.7%	27 yrs	\$62.71M	\$141.8M
3	\$47.3M	\$41.3M	\$64.4M	72.1%	2 yrs	\$62.74M	\$104.0M
4	\$65.8M	\$55.8M	\$83.9M	70.0%	6 yrs	\$62.73M	\$118.5M

Please see Appendices A4 and A5 for key assumptions and inputs

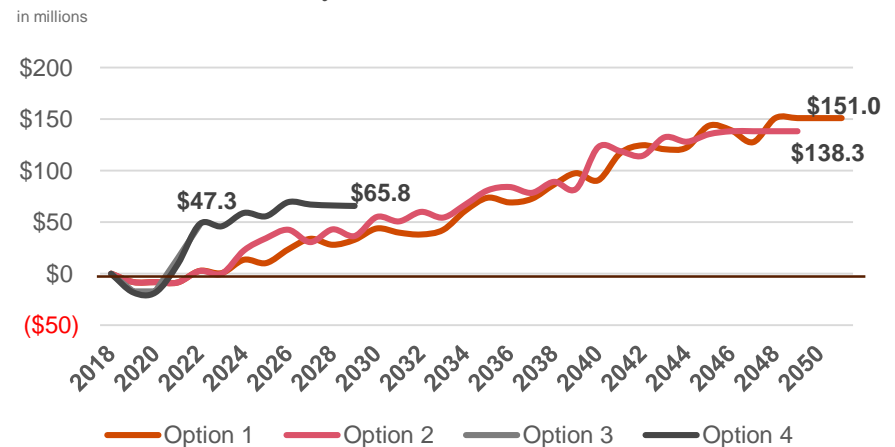
(1) Discounted at 4.0% annually

(2) From 2019 to sale of last lot or parcel of land (excludes forecasted City recoveries)

(3) Municipal taxes forecasted for a period of 30 years (2019 to 2048). See Appendix A7 for key assumptions.

(4) Excludes historical land and other costs incurred to-date

Summary of Cumulative Cash Flows

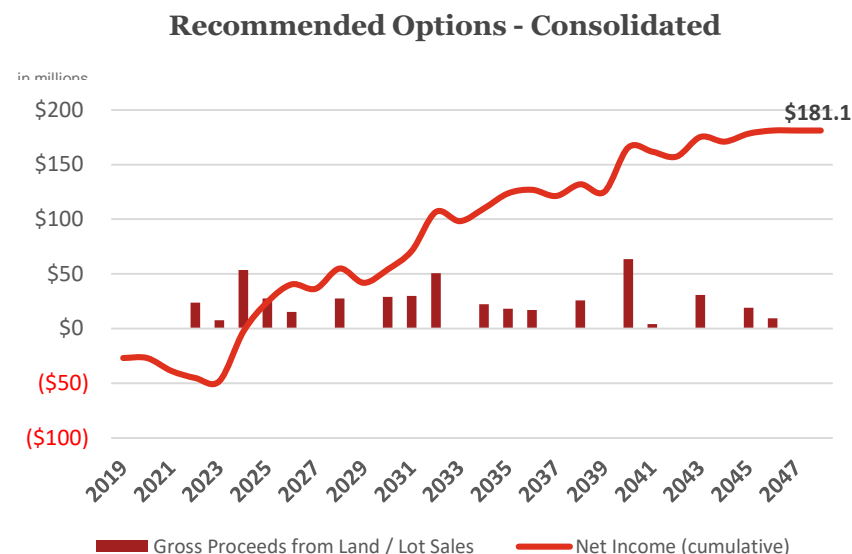


4

Impact Assessment

Impact Assessment

- Recommended disposition options projected to yield net proceeds, after acknowledging upfront land acquisition costs and costs associated with the planning, servicing and subdividing of the lands, in the range of \$181.1 million over the 2019 to 2048 period.
- Incorporating these net revenues into ELD's enterprise-wide revenue, net income and retained earnings, it is estimated that between 2019 and 2048 ELD would be able to provide \$51.7 million in Enterprise Land Dividends and amass retained earnings of approximately \$242.0 million.



Projected Land Enterprise Dividend

	2019 - 2023	2024 - 2028	2029 - 2033	2034 - 2038	2039 - 2043	2044 - 2048
Retained Earnings at Start of Year	\$33,060,000	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000
Net Income for Dividend Purposes	\$18,980,000	\$53,090,000	\$66,390,000	\$38,690,000	\$22,460,000	\$7,090,000
Land Enterprise Dividend	\$4,750,000	\$13,270,000	\$16,600,000	\$9,670,000	\$5,610,000	\$1,770,000
Retained Earnings at End of Year	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000	\$241,970,000

Figures represent enterprise-wide revenues, net income and retained earnings for ELD, including revenue for industrial and other residential land development projects which were outside the scope of PwC's mandate

Impact Assessment

- An analysis of alternative disposition options was undertaken to evaluate the impact of using proceeds to support a number of broader city initiatives including:
 - to support the development of the Rossdale Neighbourhood
 - to create and maintain an investment fund
 - to assist in building up and advancing affordable housing stock in the City
 - other initiatives
- The analysis demonstrates that the recommended disposition option for Schonsee, for example, would allow ELD to generate greater revenue, generate greater proceeds to the City through the Land Enterprise Dividend Policy, and allow it to amass larger retained earning:
 - Comparing the “Quick Sale” options to the recommended option, while the City could utilize disposition proceeds of \$9.3 million for Rossdale, Exhibition, for affordable housing or other initiatives, it would, however, reduce ELDs future potential by almost \$23.0 million

	Recommended Scenario	Quick Sale of Schonsee	Difference
Revenue from Land Enterprise Dividend	\$51,670,000	\$45,450,000	-\$6,220,000
Special Dividend	\$226,150,000	\$200,120,000	-\$26,030,000
Gross Sale Proceeds	\$0	\$9,270,000	\$9,270,000
Total Impact	\$277,820,000	\$254,840,000	-\$22,980,000

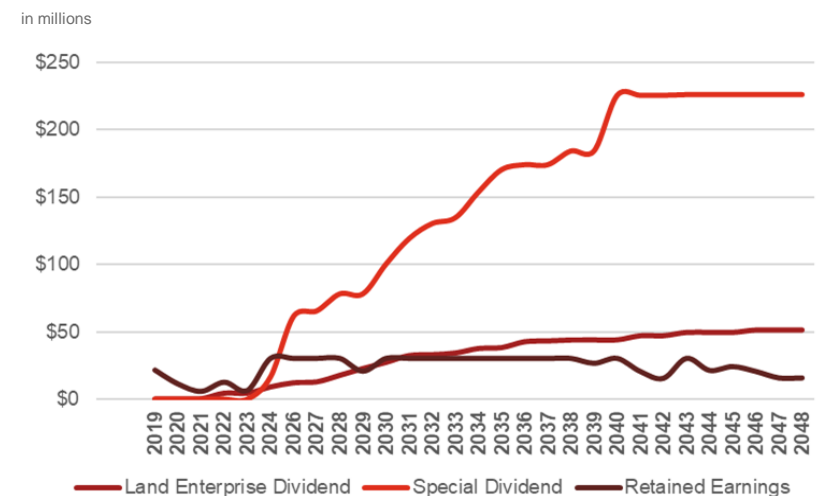
	Recommended Scenario	Quick Sale of Aster	Difference
Revenue from Land Enterprise Dividend	\$51,670,000	\$47,180,000	-\$4,490,000
Special Dividend	\$226,150,000	\$201,430,000	-\$24,720,000
Gross Sale Proceeds	\$0	\$11,210,000	\$11,210,000
Total Impact	\$277,820,000	\$259,820,000	-\$18,000,000

	Recommended Scenario	Quick Sale of Goodridge	Difference
Revenue from Land Enterprise Dividend	\$51,670,000	\$22,230,000	-\$29,440,000
Special Dividend	\$226,150,000	\$116,780,000	-\$109,370,000
Gross Sale Proceeds	\$0	\$64,390,000	\$64,390,000
Total Impact	\$277,820,000	\$203,400,000	-\$74,420,000

- The impact on the Quick Sale of Aster is estimated to be almost \$18.0 million, while the impact of a Quick Sale of Goodridge Corners is estimated to be in the range of \$74.4 million

Impact Assessment

- Instead of utilizing gross sale proceeds from the early sale of a property, it is recommended that ELD consider adopting a “Special Dividend” that would allocate a portion of ELD’s retained earnings to support various city initiatives, whether the development of Rossdale / Exhibition Lands, for the establishment of an Investment Fund, to advance the City’s affordable housing stock, or to address some other city initiative.
- An analysis of the implications of allocating 100% of ELD’s retained earnings above \$30.0 million was undertaken, yielding the following results:
 - Between 2019 and 2023, ELD would advance \$4.75 million in Land Enterprise Dividends
 - Between 2024 and 2028, ELD would advance a total of \$91.5 million, including \$13.3 million in Land Enterprise Dividends and \$78.2 million in “Special Dividends”
 - In total, between 2019 and 2048, ELD would be projected to advance almost \$277.8 million, including \$51.7 million in Land Enterprise Dividends and \$226.2 million in “Special Dividends”
 - At the end of 2048, ELD would still have retained earnings of \$15.8 million



A

Appendices

Appendix A1: Restrictions and Qualifications

1. The use of any projected or forecasted information (“Projections”) made in conjunction with this analyses (“Analyses”) may not be appropriate for use outside of its intended purpose. The Projections, if made, will not reflect actual development, economic, demographic and / or financial / fiscal results, and may reflect a possible scenario for the use, utilization and / or development of ELD’s various development greenfield residential development lands in Edmonton, Alberta, namely Schonsee, Aster and Goodridge Corners (the “Properties”), given PwC’s judgment as to a potential set of economic conditions, together with the hypotheses which are consistent with the purpose of the Projections. The inclusion of scenarios produced in conjunction with our analysis may contain hypotheses and assumptions which are based on a set of economic conditions or anticipated courses of action that may not be unreasonable, are consistent with the purpose of the Projections, but which will not materialize as set out therein. The hypotheses represent plausible circumstances, but need not be, and may not have been fully supported.

Since future events are not subject to precise projections, some assumptions will not materialize in the exact form presented by our analysis. In addition, other unanticipated events and circumstances may occur which could influence the future use, utilization and / or operations of the Properties. Therefore, actual use, utilization, and operating results of the Properties will vary from the analysis of prospective market and economic conditions set out therein. While there is no recourse to predicting these matters with certainty apart from informed and reasoned judgments, it must be stated that future events will lead to variations which may materially alter the actual results. PwC does not warrant that actual results achieved from the continued operation of the Properties will be the same, in whole or in part, as those shown in any Projections.

The Projections are based on hypotheses and there is a significant risk that actual results will vary, perhaps materially, from the results projected.

2. Responsible ownership and competent development and property management are assumed.
3. Information furnished by others upon which all or portions of these Analyses are based, including, among others, the City of Edmonton, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
4. Our report and work product cannot be included, or referred to, in any prospectus, securities and exchange commission filing or other public investment or interest document.
5. The intended use of this report is as an analyses of disposition options for the Properties. This document does not purport to provide legal advice and it should not be interpreted as providing legal advice. The reader is encouraged to seek independent legal advice.
6. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been, or can readily be obtained, or renewed to support uses upon which this report is based.
7. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances.
8. Full compliance with all applicable federal, provincial and local zoning, use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
9. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date of this report.

Appendix A1: Restrictions and Qualifications

10. Any financial structures contained or referred to within this report is predicated on the market conditions prevailing as of the date of this report.
11. Areas and dimensions of the Properties, and any planned or proposed development densities for the Properties were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property / site and no responsibility is assumed for their accuracy. No independent surveys were conducted.
12. It is assumed that there are no hidden or unapparent conditions of the site, subsoil, or structures that affect future use and / or value. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
13. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.
14. Neither PwC nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements thereof have been made.

Appendix A2: Schonsee – Key Cash Flow Assumptions

- As noted above, the Schonsee development project comprises approximately 33 acres within two distinct areas:
 - The Stage 20 and 21 lands located to the west of the Schonsee Wetland comprise approximately 12 acres and are intended to be developed to create 85 single family home lots (66 lots in Stage 20 and an additional 19 lots in Stage 21). These lands are currently zoned (RSL), allowing for single-family residential; and
 - Future development lands, totaling some 21 acres and located to the east of the Schonsee Wetland and fronting along 66th Street NW, are intended to be developed with 82 single family lots along with an approximate 9.6 acre block for medium density housing. These lands are currently zoned Agriculture and will need to undergo a process to have them rezoned to low and medium density residential.
- Per information provided by ELD, planning and servicing of the Stage 20 and 21 lands are to commence in 2021 and be substantially completed by the end of 2022. Following completion of site servicing, lot sales are projected to occur, with all lots sold by the end of 2023. Lots are expected to sell for approximately \$4,650 per front foot (2019 equivalent).
- The Future Development lands are to be planned and serviced in 2022 and 2023, with lot sales to be completed by the end of 2025. The medium density housing site is projected to be sold in 2024. Lot prices are again expected to approximate \$4,650 per front foot (2019 equivalent), agriculture land is expected to sell for approximately \$250,000 per acre, low density land are expected for \$300,000 per acre (zoned), and the medium density lands for \$650,000 per acre zoned (and \$900,000 zoned and serviced) (2019 equivalent).
- Municipal taxes generated from each Disposition Option were calculated. In this regard, it was assumed that while the lands were under City / ELD ownership, the lands would not be subject to property taxes. Upon their sale to a private developer or individual, the lands would then give rise to municipal property tax obligations at the 2019 rate of \$350/acre for farmable agriculture land, 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands.
- Revenues are inflated by 2% annually while expenses are inflated by 3% annually. Historical land purchase costs have been inflated by 2% annually from the year of purchase to 2019.

Appendix A3: Aster – Key Cash Flow Assumptions

- As noted above, the Aster development project comprises 53 acres in the southern portion of the neighbourhood. These lands are currently zoned AG (agriculture).
- This analysis has considered an plan amendment scenario whereby stormwater management facilities and natural wetlands are combined into a naturalized constructed wetland. This scenario would yield approximately 39 acres intended to be rezoned to low density residential and developed to create 259 single family home lots. The remaining three acres are to be rezoned to accommodate low rise apartments.
- Per information provided by ELD, subdivision planning and servicing of the Aster Lands are to commence in 2029 and be substantially completed by the end of 2032. Following completion of site servicing, lot sales are projected to occur, with all lots sold by the end of 2033. Agriculture land is expected to sell for approximately \$200,000 per are (2019 equivalent). Lots are expected to sell for approximately \$4,650 per front foot (2019 equivalent). The low-rise apartment land is expected to sell as vacant land in 2031, after the completion of planning and servicing, for approximately \$1.0 million per acre (2019 equivalent).
- Municipal taxes generated from each disposition option were also calculated. In this regard, it was assumed that while the lands were under City / ELD ownership, the lands would not be subject to property taxes. Upon their sale to a private developer or individual, the lands would then give rise to municipal property tax obligations at the 2019 rate of \$350/acre for farmable agriculture land, 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for low-rise apartment lands.
- Revenues are inflated by 2% annually while expenses are inflated by 3% annually. Historical land purchase costs have been inflated by 2% annually from the year of purchase to 2019.

Appendix A4: Goodridge Corners – Key Cash Flow Assumptions

- As noted above, the Goodridge Corners project comprises approximately 409 acres slated for development over 14 stages (Stages 3 to 16).
- This analysis has considered a plan amendment scenario whereby initially planned business employment and manufactured housing areas are now considered to be low density residential. As a result, the Goodridge Lands are intended to be rezoned and developed into a mixed-use residential neighbourhood that will be comprised of approximately 319 acres of gross developable low density residential-zoned land (yielding 1,328 single family lots), 16 acres of medium density residential-zoned land, 23 acres of low-rise apartment-zoned land and 32 acres of other mixed-use lands. These entire Goodridge community is currently zoned AG (agriculture).
- Per information provided by ELD, planning and servicing of the Goodridge Lands are to commence in 2020 and be substantially completed by the end of 2048. Following completion of site servicing for each stage sales of single family lots and rezoned land are projected to occur, with all lots / land having been sold by the end of 2048.
- Single family lots are expected to sell for approximately \$4,650 per front foot (2019 equivalent). Agriculture, medium density residential, low-rise apartment and mixed-use land is expected to sell upon servicing for approximately \$150,000, \$650,000 per acre zoned (and \$900,000 zoned and serviced), \$1.0 million and \$1.275 million per acre (2019 equivalent), respectively.
- Municipal taxes generated from each Disposition Option were also calculated. In this regard, it was assumed that while the lands were under City / ELD ownership, the lands would not be subject to property taxes.
- Revenues are inflated by 2% annually while expenses are inflated by 3% annually. Historical land purchase costs have been inflated by 2% annually from the year of purchase to 2019.

Appendix A5: Summary of Key Inputs

Schonsee

Component	Measurement	Value
Lot Price	/ front foot	\$4,650
Agriculture Land	/ acre	\$250,000
RSL Land ⁽¹⁾	/ acre	\$300,000
RF5 Land ⁽¹⁾	/ acre	\$650,000
RF5 Land ⁽²⁾	/ acre	\$900,000

Aster

Component	Measurement	Value
Lot Price	/ front foot	\$4,650
Agriculture Land	/ acre	\$200,000
RSL Land ⁽¹⁾	/ acre	\$300,000
RF5 Land ⁽¹⁾	/ acre	\$650,000
RF5 Land ⁽²⁾	/ acre	\$900,000

Goodridge Corners

Component	Measurement	Value
Lot Price	/ front foot	\$4,650
Agriculture Land	/ acre	\$150,000
RSL Land ⁽¹⁾	/ acre	\$300,000
RF5 Land ⁽¹⁾	/ acre	\$650,000
RF5 Land ⁽²⁾	/ acre	\$900,000
RA7 ⁽²⁾	/ acre	\$1,000,000
Mixed-Use ⁽²⁾	/ acre	\$1,275,000

(1) Zoned

(2) Zoned and serviced

Inflation Rates

Component	Value
Revenue Inflation (Annual)	2.0%
Expense Inflation (Annual)	3.0%
Land Carrying Cost (Annual) ⁽¹⁾	2.0%
Property Tax Inflation (Annual)	2.0%

(1) Historical land purchase costs have been inflated from the year of purchase to 2019

Development Costs (per Front Foot)

Development	Value
Schonsee ⁽¹⁾	\$2,004
Aster	\$2,425
Goodridge Corners ⁽²⁾	\$2,686

Note: Based on development cost net of recoveries and excluding land costs.

(1) Schonsee Stages 20 and 21 net of recoveries

(2) Only accounts for predominantly low density residential stages with proportionate share of costs removed for higher density stages (Stages 3, 4, 7, 8, 10, 11 and 14).

pwc.com/ca/realestate

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City of Edmonton

Options for Disposing of City-Owned Greenfield Residential Development Lands

October 7, 2019



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Introduction

Introduction

Background

- On April 2, 2019, Edmonton City Council (“Council”) adopted a motion for City Administration to return with a report evaluating a “list of options for, and the impact of disposing City of Edmonton (“City”)-owned residential development lands held within Enterprise Land Development (“ELD”), excepting Laurel 10 and Laurel 22, with the proceeds from such sale(s) being directed to City building programs within ELD, excepting development of greenfield lands for residential purposes”.
- In support of this motion, the City issued RFPS #2019-07, the purpose of which was to retain a consultant to provide Council with a report identifying and evaluating the financial implications of selling off City-owned greenfield residential development lands and using the proceeds from those transactions for various “city building” projects. Identified disposal options to be considered include (with it also noted that the specific options considered could vary depending on the specific development):
 - Investing in, developing and selling residential development land held by ELD as currently planned by the ELD program;
 - Selling residential development land held by ELD as quickly as possible (i.e., without further investments being made by ELD and without ELD undertaking any additional work relating to the development of the property);
 - Using a phased-approach to selling residential development land held by ELD over time as permitted by the current market;
 - Selling off portions of residential development land held by ELD reflecting the current market and investing in further development of other portions of residential development land held by ELD; and
 - Investing in, developing and selling residential development land held by ELD on a shorter time frame than is currently planned by the ELD program.
- In May, 2019, the City of Edmonton (the “City”) retained PricewaterhouseCoopers LLP (“PwC”) to undertake the scope of work outlined in RFPS #2019-07.

PwC

Scope of Work

- In being awarded RFPS #2019-07, PwC outlined the following scope of work within its proposal:
 1. Kick-off meeting:
 - met with ELD to obtain insights into and background information describing ELD and its various residential development projects;
 - discussed the background, purpose and expected outcomes of the study; and
 - conducted site visits to each greenfield residential development project.
 2. Background information review:
 - undertook a review of information provided by ELD, including background information detailing each of ELD’s greenfield residential developments, financial proformas / development budgets, etc.
 3. Market research:
 - undertook area reconnaissance to identify and understand pertinent residential development trends, values, and metrics; and
 - evaluated market research findings against ELD budget and development proforma assumptions to identify key points of differentiation.
 4. Financial analysis:
 - reviewed the development budgets and cash flow models for each of ELD’s greenfield residential land development projects and made adjustments to assumptions, timing, etc. based on the findings of the market research phase;
 - revised development proformas for each project and analyzed the potential proceeds available to ELD / the City from each project; and
 - identified the municipal property tax implications resulting from each project.

Introduction

Scope of Work (continued)

5. Disposition model analysis:
 - identified, discussed and agreed to specific disposition options for each greenfield residential development with ELD;
 - identified key assumptions relating to each agreed-to disposal option;
 - modelled each alternative disposal option for each greenfield residential development project, identifying net proceeds, costs, benefits, timing and other implications (including municipal taxes) associated with each disposal option;
 - discussed the development proforma and resultant findings / associated impacts with ELD officials and made adjustments, as necessary; and
 - finalized the development proforma and associated impacts.
6. Social and environmental benefits:
 - identified entities to include in a survey to identify industry practices related to social and environmental benefits, efficiency and affordable housing opportunities;
 - contacted 11 municipal and two private sector land developers to identify industry practices; and
 - identified leading practices from the completed survey of 11 municipal and two private sector land developers.
- The foregoing culminated in the identification of a recommended disposition option(s) for each of ELD's greenfield residential land development projects.

Use of the report

- The report prepared by PwC in support of RFPS #2019-07 has been prepared for the exclusive use of the City of Edmonton and its Enterprise Land Development division.
- PwC owes no duty of care to any other party or any party gaining access to PwC's report. PwC accepts no responsibility for any claims, losses, liabilities and damages, including, without limitation, any claims, losses, liabilities and damages in negligence or negligent misrepresentation, arising from any unauthorized or improper use of the report.

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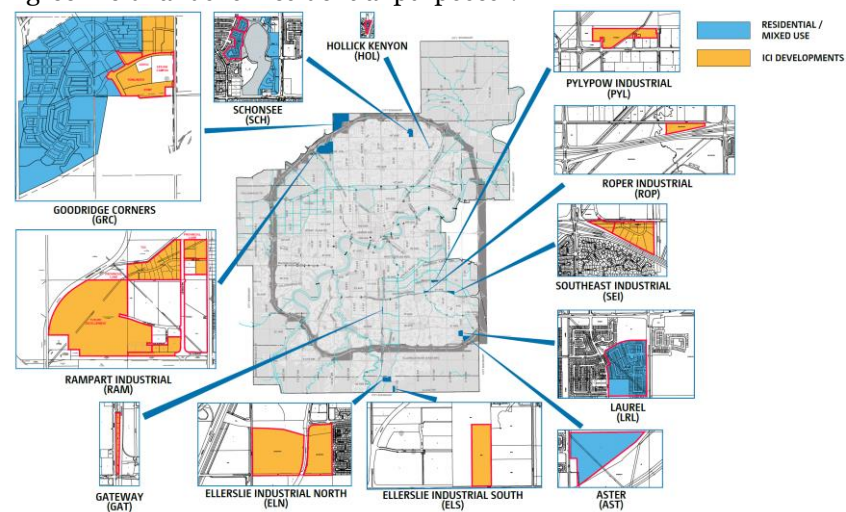
About ELD

About ELD

About Enterprise Land Development

- Enterprise Land Development (“ELD”) is a self-funded enterprise program of the City of Edmonton (the “City”) that acquires raw land and invests in the planning, engineering and the servicing of those lands in order to create and bring residential building lots to the market for eventual sale to private citizens and home builders. ELD is also engaged in the planning, engineering, servicing and sale of industrial building lots.
- ELD’s activities have been conducted in accordance with City of Edmonton Policy C511 – Land Development Policy, the Industrial Land Strategy, and City Council’s 2019 – 2028 Strategic Plan.
- Revenues generated by ELD from lot sales are used to fund future land acquisitions and the planning, development and servicing of those lands. Surplus revenues provide an annual dividend to the City, equal to 25% of its net income from land development activities, to offset tax levy requirements (pursuant to Policy C516B – Land Enterprise Dividend Policy).
- ELD holds and is in the process of planning, developing and / or selling residential building lots on approximately 549 acres of residential land in five projects, including:
 - Aster (a suburban greenfield development in southeast Edmonton, measuring 53 acres and with an anticipated timeline for development of between five and ten years);
 - Goodridge (a 409 acre greenfield project located in northwestern Edmonton whose full build-out is not expected to occur until at least 2045);
 - Hollick Kenyon (a one acre site that contains six detached home lots and which are have been offered for sale);
 - Laurel 22 (a 53 acre site located in southeastern Edmonton and having an anticipated four-year timeline for the sale of the project’s 304 residential lots); and

- Schonsee (a 33 acre greenfield development located in north-central Edmonton where development is expected to occur over five distinct stages).
- In 2018, the City completed a Land Governance review that was based on a more systematic and efficient process for acquiring, developing, maintaining, improving and disposing of assets. As per the Financial and Corporate Services Report CR_5328 – Land Governance Strategy, the new land management framework requires, among other matters, that ELD be financially independent from other civic operations and be fully transparent.
- On April 2, 2019, Edmonton City Council adopted a motion for City Administration to return with a report prepared by an independent third party (the “Report”) evaluating a “list of options for, and the impact of disposing of City-owned residential development lands within ELD (excepting Laurel 10 and Laurel 22), with the proceeds from such sale(s) being directed to City building programs within ELD, excepting development of greenfield lands for residential purposes”.



About ELD

About Enterprise Land Development (continued)

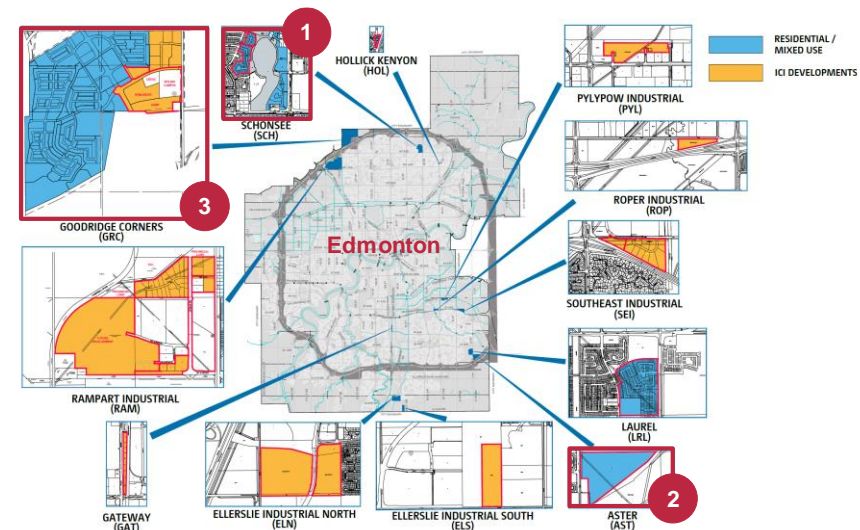
- Per RFPS #2019-07, the purpose of this Report was to provide Council with a clear understanding of the financial impacts of selling off City-owned residential development lands and using the proceeds from those transactions for various “city building” projects, including in particular its planned Rossdale and Exhibition Lands redevelopment projects.

ELD’s greenfield residential land development holdings

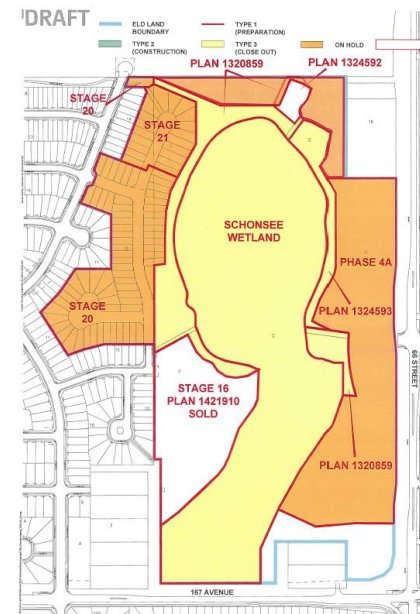
- Per RFPS #2019-07, the scope of work is focused on ELD’s greenfield residential development land holdings, namely Schonsee, Aster and Goodridge Corners. Laurel, nearly fully developed and in the process of being marketed and sold, and Hollick Kenyon, given it has been transferred to Habitat for Humanity, have not been considered in this Report.

Schonsee

- Schonsee is a new neighbourhood located in north-central Edmonton. The neighbourhood is bounded by 167th Avenue to the south, 66th Street NW to the east and 82nd Street NW to the west.
- Schonsee comprises 33 acres of land surrounding the Schonsee Wetlands; the property is currently unserviced and undeveloped.
- The property is expected to feature low and medium density residential over five phases of development. Due to the configuration of property, the property’s development phases are expected to be smaller than typical suburban development sizes.
- The property is contemplated to yield a total of 85 single family lots to be created in two stages (66 lots in Stage 20 and 19 lots in Stage 21) with these stages located between an existing residential area and Schonsee Wetland. To the east of the Schonsee Wetland, an additional low density area (to contain approximately 82 lots) and an area proposed for medium density uses (9.7 acres) are proposed; these lands are currently not zoned for development.



Source: City of Edmonton



Source: City of Edmonton

About ELD

Schonsee (continued)

Schonsee Land Summary				
Stage	Zoning		Acres ⁽²⁾	Lots ⁽³⁾
	Current	Future ⁽¹⁾		
Stage 20	RSL	LD	9.1	66
Stage 21	RSL	LD	2.9	19
Future Stages (LD) ⁽¹⁾	AG	LD	11.6	82
Future Stages (MD) ⁽¹⁾⁽⁴⁾	AG	MD	9.7	-
Total			33.3	167

(1) LD = low density residential, MD = medium density residential

(2) Approximate gross developable area

(3) Low / medium density residential lots

(4) Sold as zoned, serviced land and not developed into lots

Aster

- Aster is a new neighbourhood in the southeastern quadrant of Edmonton, bounded by Anthony Henday Drive to the south and east, 17th Street SE to the west, and the future 23rd Avenue corridor to the north.
- The City owns approximately 53 acres in the southern portion of the neighbourhood of Aster. The property is currently zoned AG (agriculture). The property includes several natural water features and wetlands, rendering its' gross developable area to be in the range of 48 acres.
- ELD's proposed development includes primarily low density single family residential lots, with two areas of row housing and a small section for medium density residential.
- The Neighbourhood Structure Plan ("NSP") envisions an integrated, pedestrian-friendly neighbourhood with allocations for natural green space and parks. Aster's Neighbourhood Area Structure Plan ("NASP") identifies the entire neighbourhood to be completely developed within 10 years.

Aster (continued)

- ELD's land holdings in the neighbourhood call for a total of 259 single family lots to be created over approximately 44.8 acres with an additional 2.8 acres dedicated to medium density uses; these land are currently not zoned.

Aster Land Summary				
Dwelling Type	Zoning		Acres ⁽²⁾	Lots ⁽³⁾
	Current	Future ⁽¹⁾		
Single Family ⁽⁴⁾	AG	LD/MD	44.8	259
Multi-Family	AG	LRA	2.8	-
Total			47.6	259

(1) LD = low density residential, MD = medium density residential, LRA = low rise apartment

(2) Approximate gross developable area

(3) Low / medium density residential lots

(4) Expected to be zoned 90.1% low density residential and 9.9% medium density residential, on a total front foot basis.



Source: City of Edmonton

About ELD

Goodridge Corners

- Goodridge is a planned development located north of Anthony Henday Drive, near the intersection of the Anthony Henday and 127th Street NW in northwestern Edmonton. The Goodridge site borders Sturgeon County to the north and the City of St. Albert to its west.
- The Goodridge site comprises of approximately 440 acres of which approximately 409 acres is associated with future stages. The land is currently zoned AG (agriculture).
- ELD's development concept for the property envisions a mixed-use community featuring a combination of low and medium density residential over 14 future stages (Stages 3 to 16). The neighbourhood is expected to yield 1,327 single family lots on 336.3 acres. In addition, 48.5 acres low rise apartment and 10.5 acres of mixed-use lands are also envisioned.

Goodridge Corners Land Summary

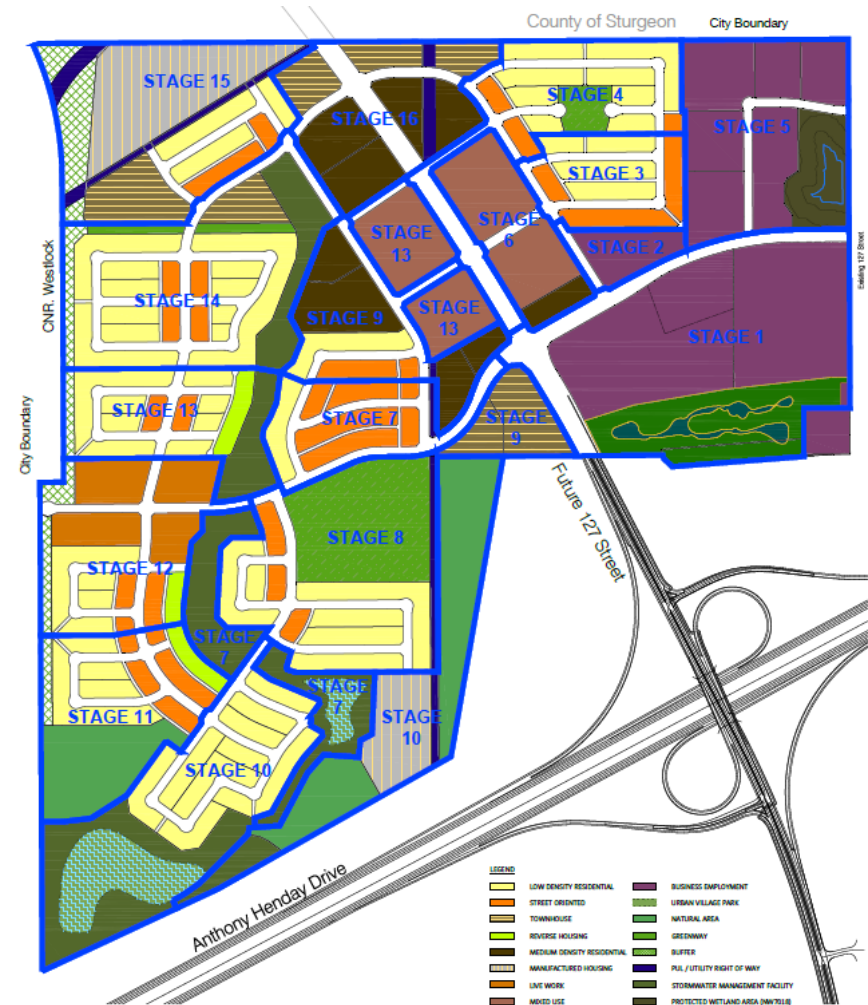
Stage	Acres by Use ⁽¹⁾				Total	Lots ⁽³⁾
	LD ⁽²⁾	MD ⁽²⁾	LRA ⁽²⁾	Mixed-Use		
Stage 3	13.6	-	-	-	13.6	95
Stage 4	18.6	-	-	-	18.6	120
Stage 5 ⁽⁴⁾	24.3	-	-	-	24.3	110
Stage 6	-	-	13.6	-	13.6	-
Stage 7	28.8	-	-	-	28.8	84
Stage 8	36.1	-	-	-	36.1	146
Stage 9	8.2	6.4	10.1	-	24.8	46
Stage 10 ⁽⁴⁾	54.6	6.4	-	-	61.0	116
Stage 11	24.0	-	-	-	24.0	105
Stage 12	14.7	-	-	10.5	25.2	76
Stage 13	20.2	-	10.8	-	31.0	112
Stage 14	37.2	2.5	-	-	39.8	195
Stage 15 ⁽⁴⁾	13.4	20.9	-	-	34.3	121
Stage 16	-	6.2	14.0	-	20.2	-
Total	293.8	42.5	48.5	10.5	395.3	1,327

(1) Approximate gross developable area (including areas to be allocated for roads, ponds, parks, etc.)

(2) LD = low density residential, MD = medium density residential, LRA = low-rise apartment

(3) Low / medium density residential lots

(4) Stages 5, 10, and 15 have been amended to low density residential uses per ELD instruction for the purpose of this analysis.



Goodridge Land Use Plan
Source: City of Edmonton

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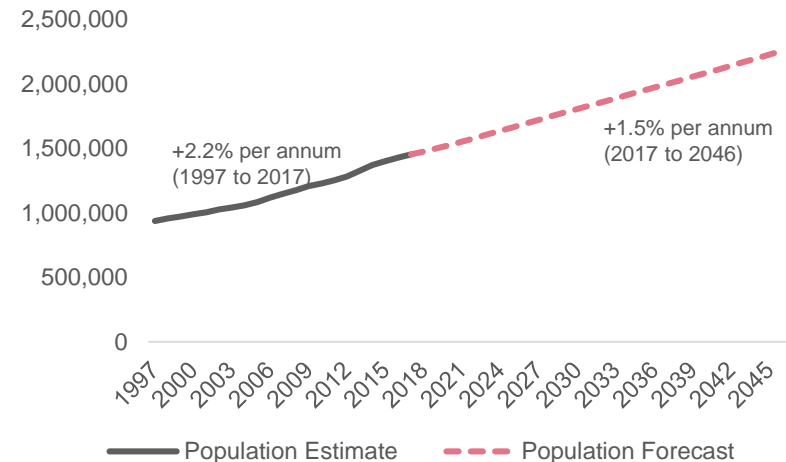
Market Overview

Market Overview

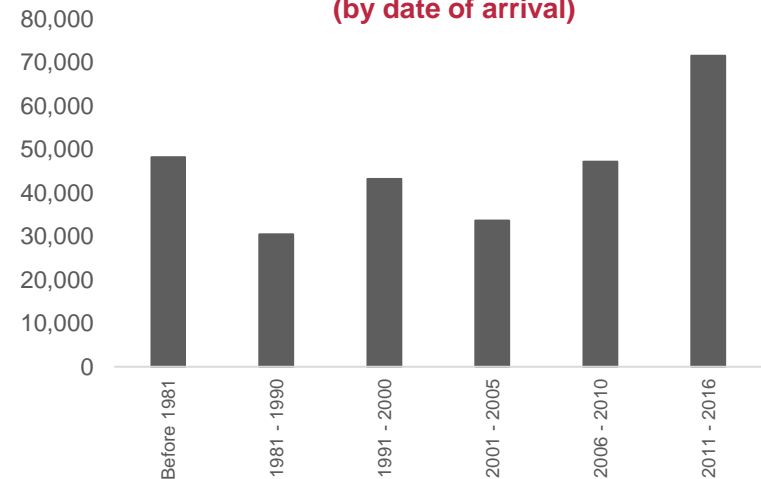
Demographic Profile

- With a 2016 Census population of 934,200, the City of Edmonton is the fifth largest city in Canada (behind Toronto, Montreal, Calgary, and Ottawa). With a total population of 1.321 million, the Edmonton Census Metropolitan Area (“CMA”) is the sixth largest urban centre in Canada (behind Toronto, Montreal, Vancouver, Calgary and Ottawa-Gatineau).
- Between 2011 and 2016, Edmonton’s population grew by approximately 15%, making it one of the fastest growing major cities in Canada. Edmonton’s growth rate over this period was higher than both the national growth rate (5%) and the provincial growth rate (12%).
- Between 2017 and 2046, the Alberta Treasury Board and Finance projects that the population of the Edmonton CMA will reach 2.256 million; achieving an average annual growth rate of 1.53%.
- Edmonton’s population growth was due, in part, to net immigration to the City. Per the 2016 Census, approximately 59% of Edmonton’s net population growth between 2011 and 2016 (75,410 out of 127,282) was derived from new immigrants.
- Edmonton has experienced a significant increase in immigration with approximately 47,000 people immigrating to the City between 2006 and 2010, and approximately 71,500 people immigrating between 2011 and 2016. In context, 2001 to 2010 saw net immigration of 81,000 people.
- Population growth, propelled in large part by continued immigration to the Edmonton CMA, is expected to drive future housing demand.

Edmonton CMA Population Forecast



Immigration Profile (by date of arrival)

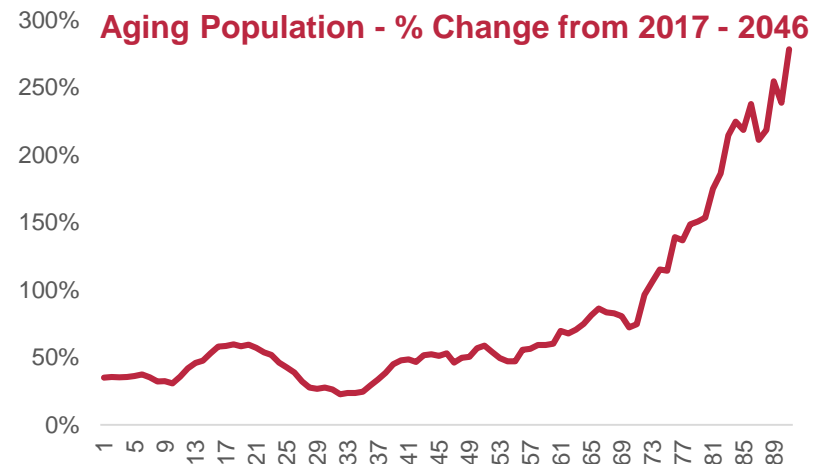
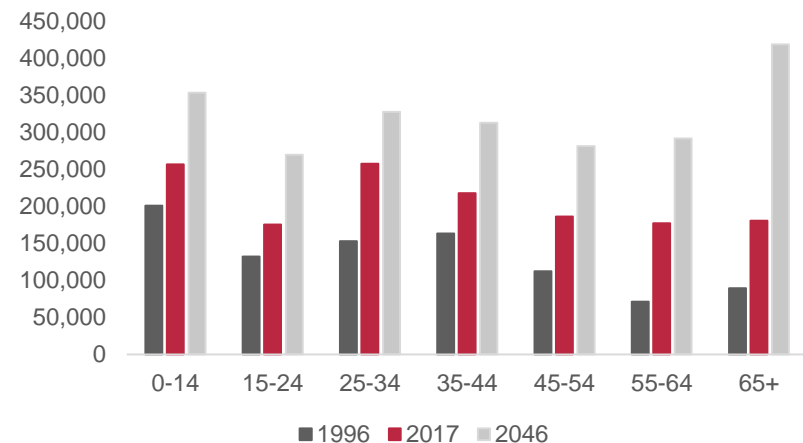


Market Overview

Demographic Profile (continued)

- Although Edmonton CMA's population is projected to grow across all age groups, particularly significant increases are expected in older age-groups. For example, the 65+ age group is forecast to increase 132% between 2017 and 2046, while the 55 to 64 age group is forecast to increase 65% over this same timeframe. The median age of Edmonton is expected to increase from roughly 33 in 2017 to approximately 40 by 2046.
- Alberta's labour force had the highest participation rate in Canada in 2017 at 72% compared to the national rate of 66%. Per Statistics Canada projections, the participation rate is expected to decrease marginally to 71% by 2036, with the corresponding national average decreasing to 62%.
- Median household incomes in Edmonton in 2015 were almost \$91,000, slightly below the provincial median of \$94,000; however, Edmonton saw a significantly higher median household income compared to the national median household income of \$70,300.
- As of the 2016 census, Edmonton reported 360,825 occupied private dwellings, of which 50% were single detached homes. This is slightly below the provincial average where 62% of dwellings are reportedly single detached homes.
- While the continued aging of Edmonton's population will drive the demand for seniors' housing product, including retirement homes and long-term care facilities, population growth in all age cohorts, particularly the 25 to 34 and 35 to 44 age cohorts, combined with growth in the 0 to 14 age cohort, will continue to drive demand for traditional single family homes.

Population Profile for Edmonton



Sources: Statistics Canada, Alberta Treasury Board and Finance

Market Overview

Economic Profile

- As a major player in the Albertan oil and gas industry, Edmonton experienced a 3.2% decrease in GDP in 2015 as a result of the decline in oil prices. This was followed by a 3.5% decrease in GDP in 2016. The economy rebounded in 2017, posting a 3.2% increase year-over-year.
- GDP growth of 2.3% was reported in 2018, with a modest growth of 1.3% forecast for 2019 with oil production cuts continuing to hamper the energy sector.
- Consumer industries such as retail and wholesale trade are expected to struggle as employment and resulting disposable income are forecasted to decrease 0.7% and 1.8%, respectively through 2019.
- General market sluggishness, particularly in the energy sector, is also expected to hamper the construction sector in the short term. Housing starts are forecast to decrease to approximately 8,500 units in 2019, marking a second consecutive year of decreasing outputs.
- Edmonton's residential market is estimated to have a large number of completed and unabsorbed units, upwards of 2,000 units as of January 2019; though, an improving economy in 2020 is expected to jumpstart the residential construction market, with an estimated 10,600 starts.
- A number of proposed infrastructure projects, including the Valley Line LRT, the CapitalCare Norwood redevelopment and the new South Edmonton Hospital, are expected to aid in the recovery of the construction sector, which is forecast to increase by almost 4% in 2020.
- Although the Edmonton economy has been significantly affected by decreased oil and gas activity, the City's economic recovery is projected to be broadly based and felt in a number of sectors, including retail trade, arts, entertainment, recreation and non-commercial (public) services.
- An improving economy in 2020 and beyond is expected to buoy the residential construction market, with an estimated 10,600 starts in 2020 (followed by starts in the range of 12,000 per year between 2021 and 2023).

Economic Indicators (Alberta)

Economic Indicators - Alberta	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 \$ millions)	313,004	327,379	336,065	340,280	352,321	357,970	364,973	372,562
YoY (%)	-4.1	4.6	2.7	1.3	3.5	1.6	2.0	2.1
Total employment (000's)	2,265	2,289	2,331	2,356	2,395	2,438	2,489	2,539
YoY (%)	-1.6	1	1.9	1.1	1.7	1.8	2.1	2
Unemployment rate (%)	8.1	7.8	6.6	6.6	6.5	6.4	6.1	5.9
Household income per capita (\$)	53,156	54,208	54,922	55,993	57,510	59,235	61,077	62,858
YoY (%)	-9.2	2.0	1.3	1.9	2.7	3.0	3.1	2.9
Population (000's)	4,189	4,239	4,300	4,364	4,438	4,514	4,592	4,671
YoY (%)	1.3	1.2	1.4	1.5	1.7	1.7	1.7	1.7
Single-family housing starts (000's)	11.4	14	11.7	9.5	11.9	13.1	12.4	11.9
YoY (%)	--	22.8	-16.4	-18.8	25.3	10.1	-5.3	-4.0
Multi-family housing starts (000's)	13.1	15.5	14.4	12.6	16.8	19.8	20.6	21.2
YoY (%)	--	18.3	-7.1	-12.5	33.3	17.9	4.0	2.9
Retail Sales (\$ millions)	74,997	80,318	81,908	83,334	86,823	90,547	94,250	97,815
YoY (%)	-1.1	7.1	2.0	1.7	4.2	4.3	4.1	3.8
CPI (2002 = 1.000)	1.352	1.373	1.406	1.429	1.456	1.485	1.514	1.544
YoY (%)	1.1	1.5	2.5	1.6	1.9	1.9	2.0	2.0

Source: Conference Board of Canada

Economic Indicators (Edmonton CMA)

Economic Indicators - Edmonton CMA	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 \$ millions)	92,258	95,174	97,388	98,654	101,264	103,880	105,761	107,944
YoY (%)	-3.5	3.2	2.3	1.3	2.6	2.6	1.8	2.1
Total employment (000's)	761	764	783	789	793	813	831	848
YoY (%)	0.0	0.4	2.5	0.8	0.5	2.5	2.2	2.0
Unemployment rate (%)	7.4	8.0	6.5	6.6	6.4	6.3	6.1	5.9
Household income per capita (\$)	52,408	54,330	55,150	55,257	56,246	58,308	60,079	61,783
YoY (%)	-8.5	3.7	1.5	0.2	1.8	3.7	3.0	2.8
Population (000's)	1,364	1,391	1,421	1,448	1,473	1,499	1,525	1,553
YoY (%)	1.9	2.0	2.2	1.9	1.7	1.8	1.7	1.8
Total housing starts (000's)	10,036	11,435	10,038	8,491	10,600	12,074	12,105	12,150
YoY (%)	--	13.9	-12.2	-15.4	24.8	13.9	0.3	0.4
Retail Sales (\$ millions)	26,129	28,666	29,492	29,959	30,948	32,581	33,869	35,147
YoY (%)	-1.1	9.7	2.9	1.6	3.3	5.3	4.0	3.8
CPI (2002 = 1.000)	1.349	1.371	1.408	1.429	1.457	1.485	1.515	1.545
YoY (%)	1.1	1.6	2.7	1.5	2.0	1.9	2.0	2.0

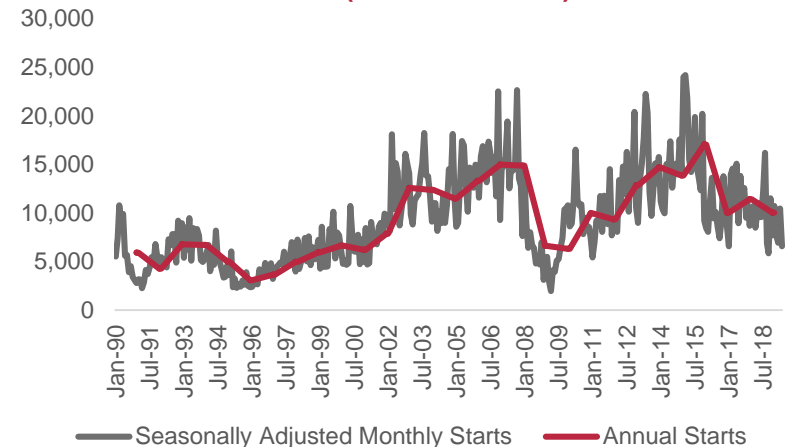
Source: Conference Board of Canada

Market Overview

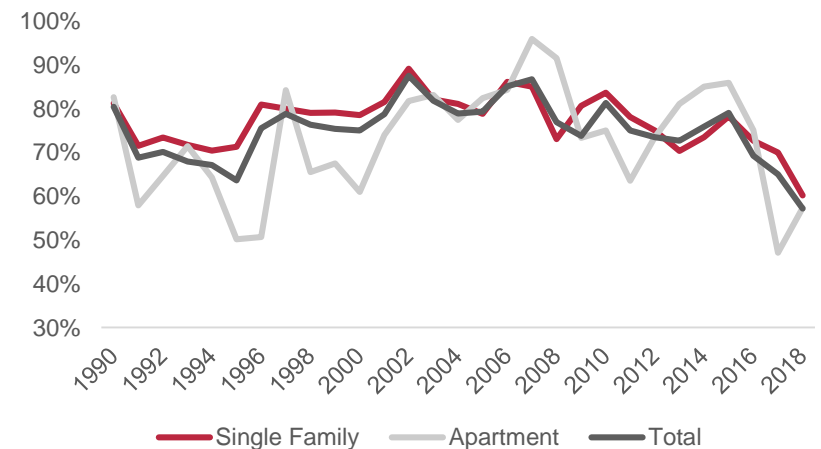
Residential Construction

- Total housing starts in the Edmonton CMA market totaled slightly over 10,000 units in 2018; a 10% decline over 2017. Total housing starts have ranged between just above 6,200 units (2000) and 17,000 units (2015) between 2000 and 2018 and have averaged 11,400 units per year over this period.
- Total starts in Edmonton fell in both 2008 and 2016, aligning with overall economic downturns. However, as a whole, housing starts have trended upwards since 1990 as a result of an increasing population and a generally strong economy. Average annual starts have increased over the past three decades from an average of 5,300 starts annually from 1990 to 1999 to an average of over 12,000 from 2010 to 2018.
- While single family homes have historically dominated the new housing market in Edmonton, their proportion of total starts have declined since 1990. Approximately 80% of the housing starts in 1990 were single family, compared to approximately 65% in 2000. Since 2010, single family housing starts accounted for approximately 46% of total housing starts.
- Edmonton is currently experiencing elevated levels of completed and unabsorbed inventory, primarily single-detached units which made up 40% of unabsorbed inventory as of Fall 2018 (almost 900 units). As a result of increasing inventory levels, housing starts are forecasted to remain flat through 2019 before increasing through 2020.
- Historically, housing units have been approximately 75% sold at the time of completion; however, this number has been decreasing since 2016, to just 57% in 2018.
- While Edmonton is currently experiencing elevated levels of completed and unabsorbed inventory, housing starts are projected to increase through 2023 as a result of a rebounding economy and population growth.

Housing Starts (Edmonton CMA)



% of Units Absorbed at Completion



Source: Canada Mortgage and Housing Corporation

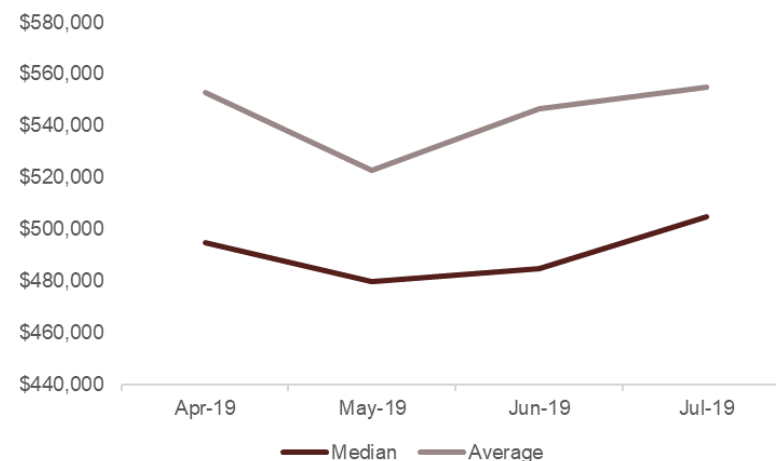
Market Overview

New Residential Home Prices

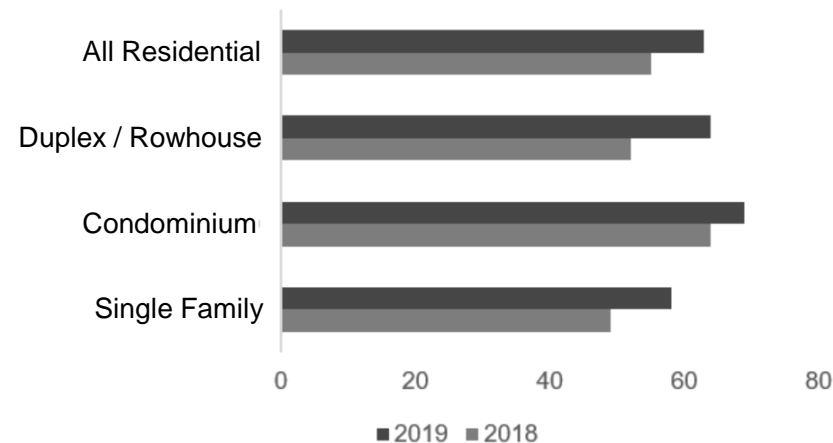
- The average price for newly absorbed single-detached homes in the Edmonton CMA has remained relatively unchanged over the past few months, increasing from \$552,831 in April 2019, to \$555,132 in July 2019. We have estimated new single family home prices to average \$555,000.
- Based on statistics published by CREA and the CMHC, it can be estimated that the average new single family home transacts at a 20% premium compared to resold homes.
- Based on the premium for new homes and published averages for resales for single family and condominium properties, we have estimated the average new condominium price to be approximately \$285,000.
- As per the CMHC's housing market assessment for the Edmonton CMA released in Q2 2018, there was little evidence of price acceleration in the market as a result of elevated supply and continued introduction of new housing product to the market in the near term.
- The increased days on market for the average home in Edmonton is also indicative of the current "buyers' market" in the city, putting downwards pressure on housing prices.

Based on the foregoing, the Edmonton housing market appears to have been experiencing a softening driven broadly by the energy sector. This has ultimately put downward pressure on disposable incomes, resulting in, among other things, decreased spending. The housing sector has also been affected, with elevated housing supply dampening average home price growth. Notwithstanding, a growing population base and a rebounding economy are expected to drive demand for a range of residential product in the medium to long-term.

Average New Single Family Home Prices (Edmonton CMA)



Average Days on Market



4

Disposition Option Analysis

Disposition Option Analysis

- PwC conducted disposition analyses for various disposition options for each development using ELD's development proformas'. PwC subsequently benchmarked key inputs including estimated land values per acre and lot prices per front foot based on market comparables. ELD's inputs were found to be within the observed range of these comparables.

Schonsee

- As noted above, the Schonsee development project comprises approximately 33 acres within two distinct areas:
 - The Stage 20 and 21 lands located to the west of the Schonsee Wetland comprise approximately 12 acres and are intended to be developed to create 85 single family home lots (66 lots in Stage 20 and an additional 19 lots in Stage 21). These lands are currently zoned (RSL), allowing for single-family residential; and
 - Future development lands, totaling some 21 acres and located to the east of the Schonsee Wetland and fronting along 66th Street NW, are intended to be developed with 82 single family lots along with an approximate 9.6 acre block for medium density housing. These lands are currently zoned for agricultural uses and will need to undergo a process to have them rezoned to low and medium density residential.
- Per information provided by ELD, planning and servicing of the Stage 20 and 21 lands are to commence in 2021 and be substantially completed by the end of 2022. Following completion of site servicing, lot sales are projected to occur, with all lots sold by the end of 2023. Lots are expected to sell for approximately \$4,650 per front foot (2019 equivalent).
- The Future Development Lands are to be planned and serviced in 2022 and 2023, with lot sales to be completed by the end of 2025. The medium density housing site is projected to be sold in 2024. Lot prices are again expected to approximate \$4,650 per front foot, agriculture land is expected to sell for approximately \$250,000 per acre, low density lands to sell for \$300,000 per acre (zoned), and the medium density lands for \$650,000 per acre zoned (and \$900,000 zoned and serviced) (2019 equivalent).

- It is to be noted that portions of the lands contained within the development could be rezoned through a potential plan amendment; the resulting impact of which is not assumed to be material when considering the option of a Quick Sale.

Disposition Option Analysis

- Four disposition options for the Schonsee development project were considered in order to evaluate the financial implications associated with various options for disposing of this property:
 - **Option 1 (Status Quo)** - ELD continues to plan, develop, service and sell building and development lots as currently contemplated.
 - **Option 2 (Quick Sale)** - ELD sells the entirety of the Schonsee Lands, on an as-is basis, to a private third party, with no additional expenditures being made. The land is assumed to sell as currently zoned (Stages 20 and 21 as low density residential and the future development lands as Agriculture).
 - **Option 3 (Development and sale of the Stage 20 and 21 lands; Quick sale of Future Development Lands)** – ELD continues to plan develop, service and sell the building lots associated with the Stage 20 and 21 lands, but sells the Future Development Lands on an as-is basis to a private third party.
 - **Option 4 (Development and sale of the Stage 20 and 21 lands; sale of Future Development Lands upon their rezoning to low and medium density residential)** – ELD continues to plan develop, service and sell the building lots associated with the Stage 20 and 21 lands, and sells the Future Development Lands to a private third party upon obtaining the rezoning of the lands to low and medium density residential.
- In evaluating the financial implications of each disposition option, PwC reviewed the development proforma prepared by ELD and made adjustments as considered appropriate to account for differences in each option. In evaluating ELD's development proforma for Schonsee, PwC had regard to and assessed a number of ELD's assumptions, including land acquisition costs and site servicing costs.

Disposition Option Analysis

Schonsee (continued)

In addition, municipal taxes generated from each disposition option were calculated. In this regard, it was assumed that while the lands were under City / ELD ownership, the lands would not be subject to property taxes. Upon their sale to a private developer or individual, the lands would then give rise to municipal property tax obligations at the 2019 rate of \$350 per acre for farmable agriculture land, 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands.

- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home.
- Property taxes have been assumed to increase by 2.0% annually from 2019.

Financial Implications of the Disposition Option Analysis

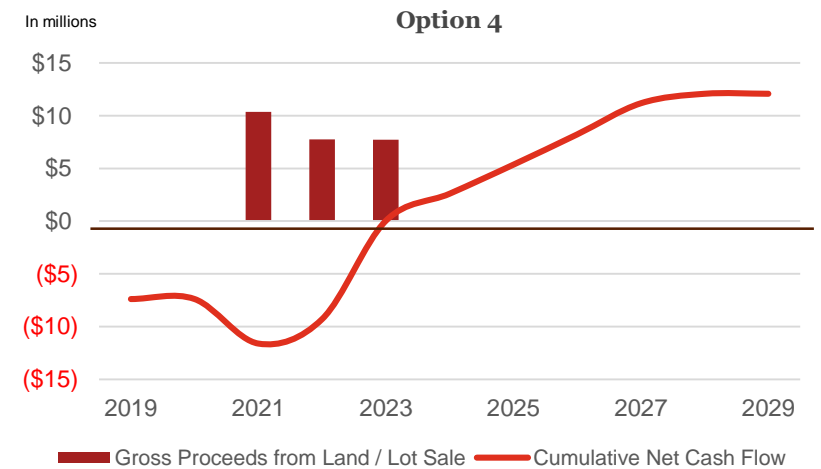
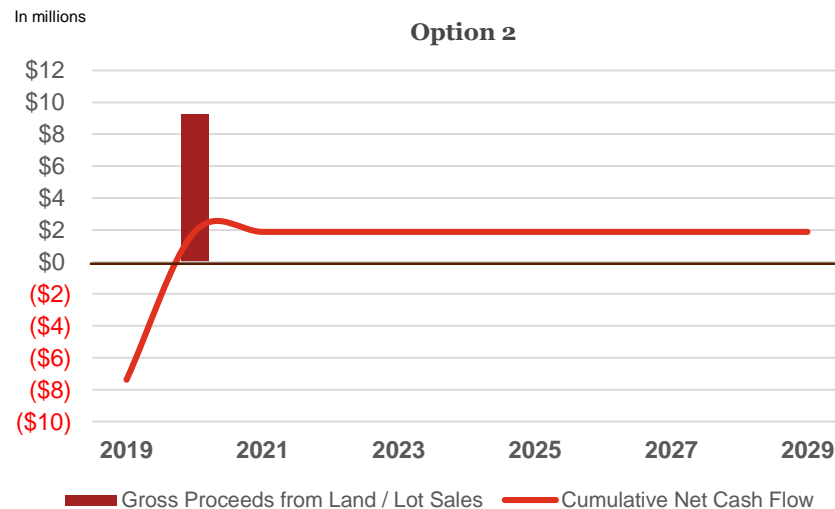
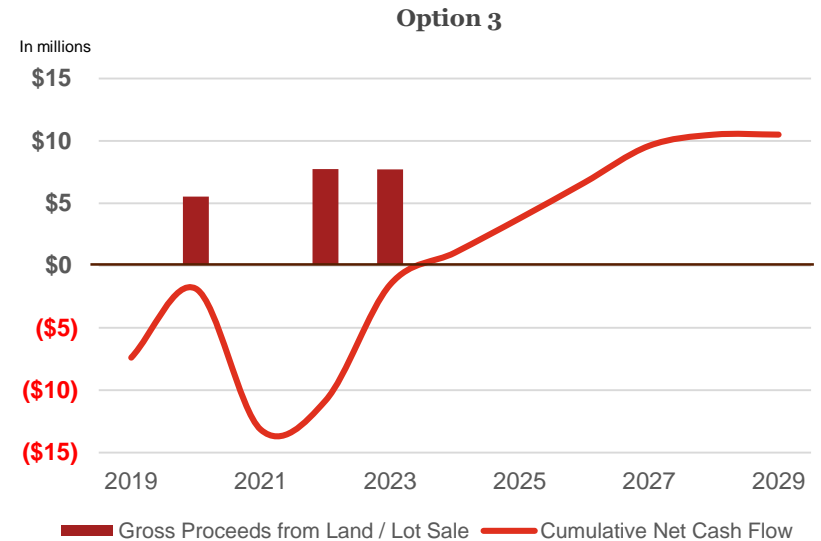
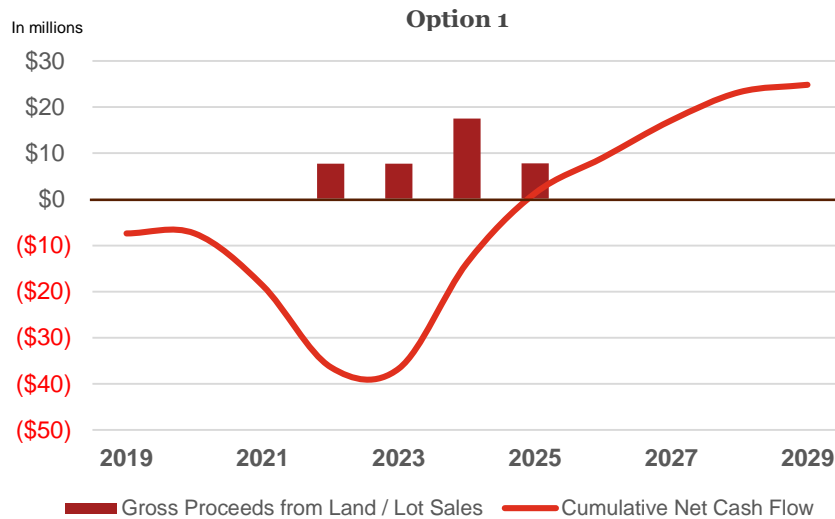
- Based on PwC's evaluation of the four above described disposition options, PwC concludes the following:

- Option 1 (Status Quo) is projected to yield the greatest net proceeds to the City (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) on both an undiscounted (\$24.9 million) and discounted (\$14.1 million) basis.
- Option 2 (Quick Sale) is projected to yield the greatest net return percentage (an IRR of 25.6%). However, net proceeds available to the City (again, after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) through this disposition option would be lowest. Excluding these costs, the "quick sale" of Schonsee is projected to generate \$9.3 million in gross disposable cash proceeds.
- Option 4 (Development and sale of the Stage 20 and 21 lands; sale of Future Development Lands upon their rezoning to low / medium density residential) is projected to generate the second highest net proceeds (both on an undiscounted and discounted basis) and second highest return percentage (an IRR of 17.6%). Option 4 is also concluded to be superior to Option 3.

Option 1 (Status Quo)	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Proceeds from Sales	\$15,450,000	\$25,330,000	\$0	\$0	\$0	\$0	\$40,780,000
Net Income	(\$36,680,000)	\$59,950,000	\$1,590,000	\$0	\$0	\$0	\$24,860,000
Option 2 (Quick Sale)							
Gross Proceeds from Sales	\$9,270,000	\$0	\$0	\$0	\$0	\$0	\$9,270,000
Net Income	\$1,890,000	\$0	\$0	\$0	\$0	\$0	\$1,890,000
Option 3 (Development and sale of the Stage 20 and 21 lands; Quick sale of future development lands)							
Gross Proceeds from Sales	\$20,980,000	\$0	\$0	\$0	\$0	\$0	\$20,980,000
Net Income	(\$1,510,000)	\$12,030,000	\$0	\$0	\$0	\$0	\$10,520,000
Option 4 (Development and sale of the Stage 20 and 21 lands; sale of future development lands upon their rezoning to low / medium density residential)							
Gross Proceeds from Sales	\$25,820,000	\$0	\$0	\$0	\$0	\$0	\$25,820,000
Net Income	\$50,000	\$12,030,000	\$0	\$0	\$0	\$0	\$12,080,000

Disposition Option Analysis

Schonsee (continued)



Disposition Option Analysis

Schonsee (continued)

Summary of Financial Impacts

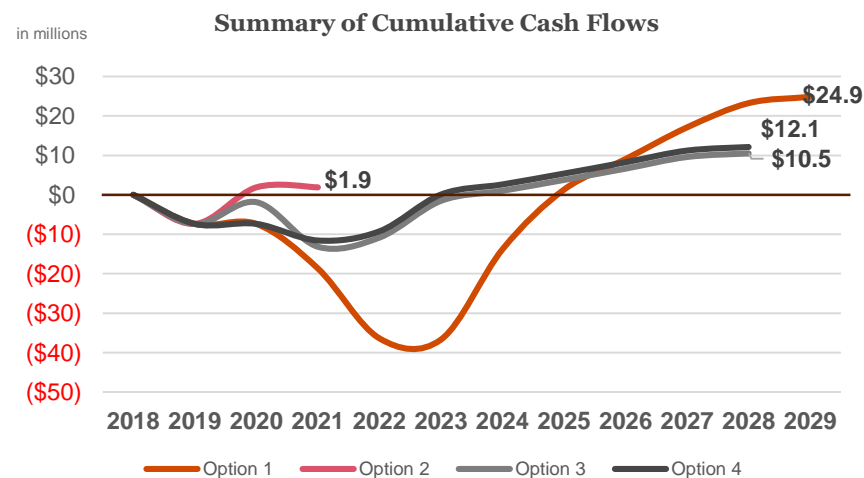
Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$24.9M	\$14.1M	\$32.3M	12.8%	6 yrs	\$12.12M	\$26.2M
2	\$1.9M	\$1.5M	\$9.3M	25.6%	1 yrs	\$12.13M	\$13.6M
3	\$10.5M	\$6.8M	\$17.9M	16.3%	4 yrs	\$12.02M	\$18.8M
4	\$12.1M	\$8.0M	\$19.5M	17.6%	4 yrs	\$12.02M	\$20.0M

(1) Discounted at 4.0% annually

(2) From 2019 to sale of last lot or parcel of land (excludes forecasted City recoveries)

(3) Municipal taxes forecasted for a period of 30 years (2019 to 2048)

(4) Excludes historical land and other costs incurred to-date



Note: Timelines represented in this graph reflect forecasted City recoveries.

- Based on the foregoing, it would appear that Option 1 would provide the greatest financial benefit to the City, providing the highest net proceeds and the highest combination of proceeds and property tax revenue on a net present value basis.

Aster

- As noted above, the Aster development project comprises approximately 53 acres in the southern portion of the neighbourhood. These lands are currently zoned AG (agriculture).
- This analysis has considered a plan amendment scenario whereby stormwater management facilities and natural wetlands are combined into a naturalized constructed wetland. This scenario would yield approximately 39 acres intended to be rezoned to low density residential and developed to create 259 single family home lots. The remaining three acres are to be rezoned to accommodate low rise apartments.
- Per information provided by ELD, subdivision planning and servicing of the Aster lands are to commence in 2029 and be substantially completed by the end of 2032. Following completion of site servicing, lot sales are projected to occur, with all lots sold by the end of 2033. Agriculture land is expected to sell for approximately \$200,000 per acre (2019 equivalent). Residential lots are expected to sell for approximately \$4,650 per front foot (2019 equivalent). The low-rise apartment land is expected to sell as vacant land in 2031, after the completion of planning and servicing, for approximately \$1.0 million per acre (2019 equivalent).
- It is similarly noted that portions of the lands contained within the development could be rezoned through a potential plan amendment; the resulting impact of which is not assumed to be material when considering the option of a Quick Sale.

Disposition Option Analysis

Aster (continued)

Disposition Option Analysis

- Four disposition options for the Aster development project were considered in order to evaluate the financial implications associated with various options for disposing of this property:
 - **Option 1 (Status Quo)** - ELD continues to plan, develop, service and sell building and development lots as currently contemplated.
 - **Option 2 (Accelerated Absorption)** - ELD continues to plan, develop and service building and development lots as currently contemplated, with sales occurring on an accelerated basis.
 - **Option 3 (Quick Sale)** - ELD sells the entirety of the Aster lands, on an as-is basis, to a private third party, with no additional expenditures being made. The land is assumed to sell based on its current zoning.
 - **Option 4 (Development and sale of 50% of single family land plus the low-rise apartment land; Quick sale of remaining land)** – ELD continues to plan develop, service and sell the building lots associated with 50% of the future-low density land as well as selling the low-rise apartment land; the remaining low density residential-intended land is sold on an as-is basis to a private third party.
- In evaluating the financial implications of each disposition option, PwC reviewed the development proforma prepared by ELD and made adjustments as considered appropriate to account for differences in each option. In evaluating ELD's development proforma for Aster, PwC had regard to and assessed a number of ELD's assumptions, including land acquisition costs and site servicing costs.
- In addition, municipal taxes generated from each disposition option were also calculated. In this regard, it was assumed that while the lands were under City / ELD ownership, the lands would not be subject to property taxes. Upon their sale to a private developer or individual, the lands would then give rise to municipal property tax obligations at the

2019 rate of \$350 per acre for farmable agriculture land, 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for low-rise apartment lands.

- In determining annual property tax obligations, PwC assumed that assessed value would approximate 100% of the market value of the land / home.
- Property taxes have been assumed to increase by 2.0% annually from 2019.

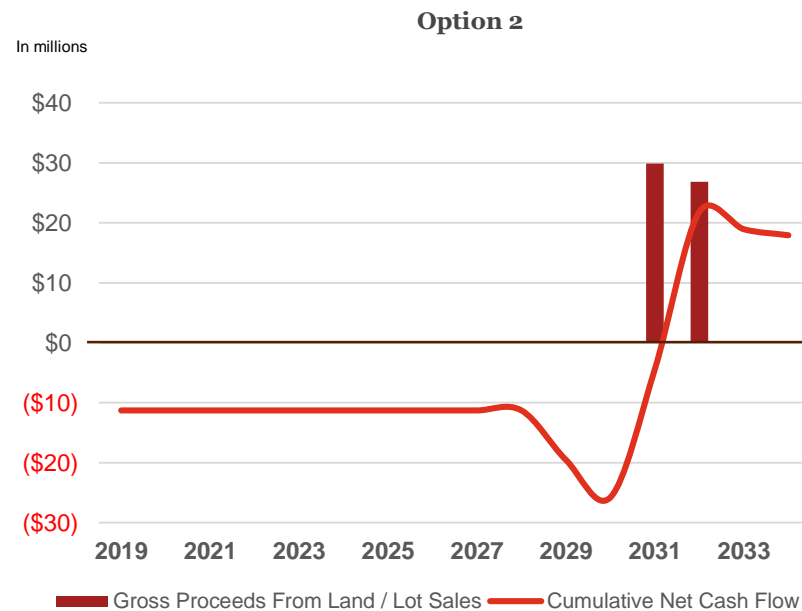
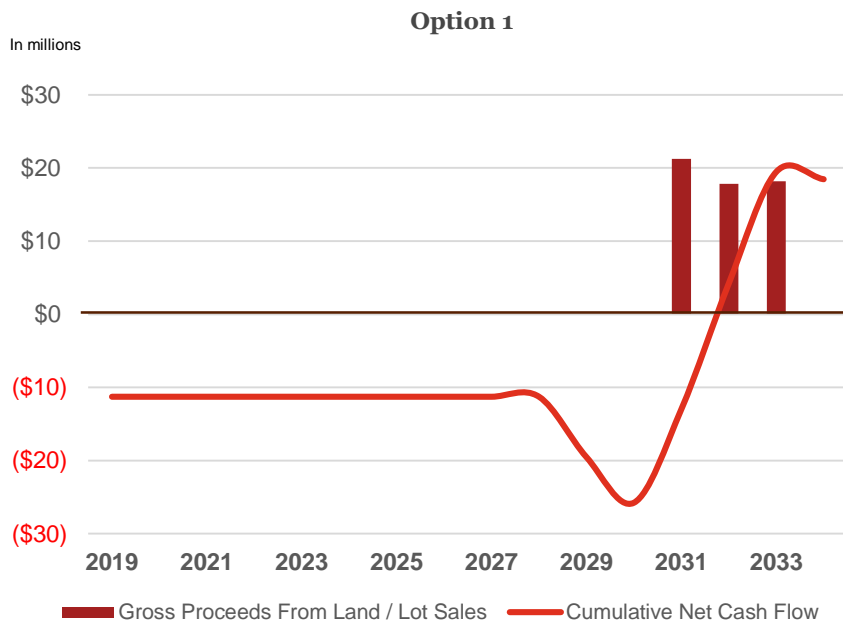
Financial Implications of the Disposition Option Analysis

- Based on PwC's evaluation of the four above described Disposition Options, PwC concludes the following:
 - Option 1 (Status Quo) is projected to yield the greatest net proceeds to the City (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) on an undiscounted basis (\$18.4 million).
 - Options 2 (Accelerated Absorption) is projected to generate the greatest net proceeds to the City (again, after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) on a discounted basis (\$6.0 million).
 - Option 3 (Quick Sale) is projected to yield negative net proceeds on a discounted basis after acknowledging expenditures made to date by ELD. Excluding these costs, the "quick sale" of Aster is projected to generate \$11.2 million in gross disposable cash proceeds.
- Based on the foregoing, Option 2 would be recommended as it is projected to yield the highest net proceeds (on a present value basis) and allow ELD to generate almost as much total proceeds (undiscounted) within a time period that is one year shorter than Option 1.

Disposition Option Analysis

Aster (continued)

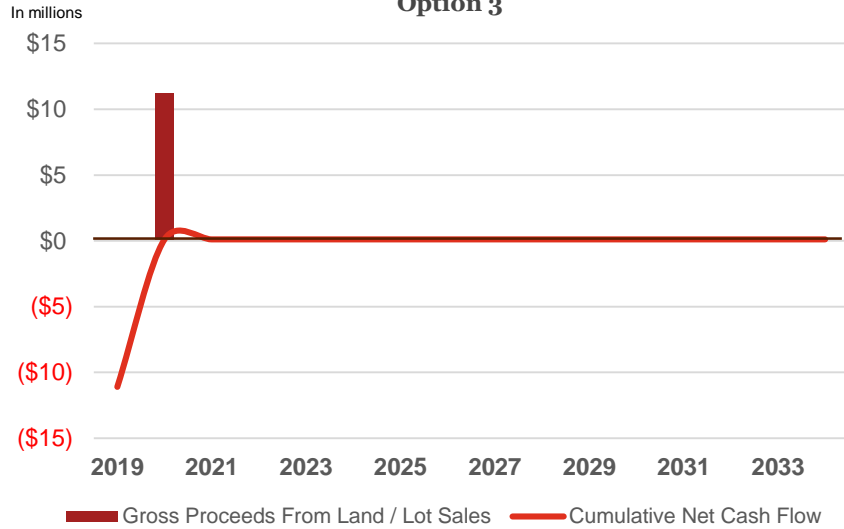
Option 1 (Status Quo)	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Proceeds from Sales	\$0	\$0	\$57,210,000	\$0	\$0	\$0	\$57,210,000
Net Income	(\$11,270,000)	\$0	\$30,730,000	(\$1,000,000)	\$0	\$0	\$18,460,000
Option 2 (Accelerated Absorption)							Total
Gross Proceeds from Sales	\$0	\$0	\$56,690,000	\$18,460,000	\$0	\$0	\$75,150,000
Net Income	(\$11,270,000)	\$0	\$30,210,000	(\$1,000,000)	\$0	\$0	\$17,940,000
Option 3 (Quick Sale)							Total
Gross Proceeds from Sales	\$11,210,000	\$0	\$0	\$0	\$0	\$0	\$11,210,000
Net Income	\$100,000	\$0	\$0	\$0	\$0	\$0	\$100,000
Option 4 (Development and sale of 50% of single family land plus the low-rise apartment land; Quick sale of remaining land)							Total
Gross Proceeds from Sales	\$4,060,000	\$0	\$30,230,000	(\$1,000,000)	\$0	\$0	\$33,290,000
Net Income	(\$7,170,000)	\$0	\$14,750,000	(\$1,000,000)	\$0	\$0	\$6,580,000



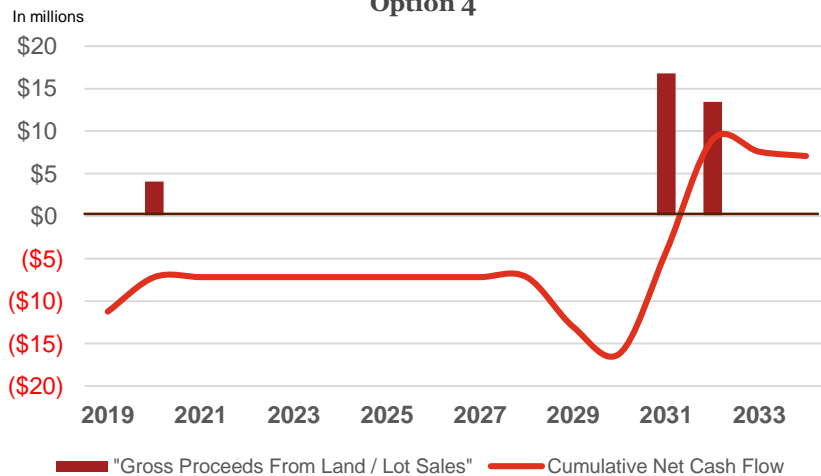
Disposition Option Analysis

Aster (continued)

Option 3



Option 4

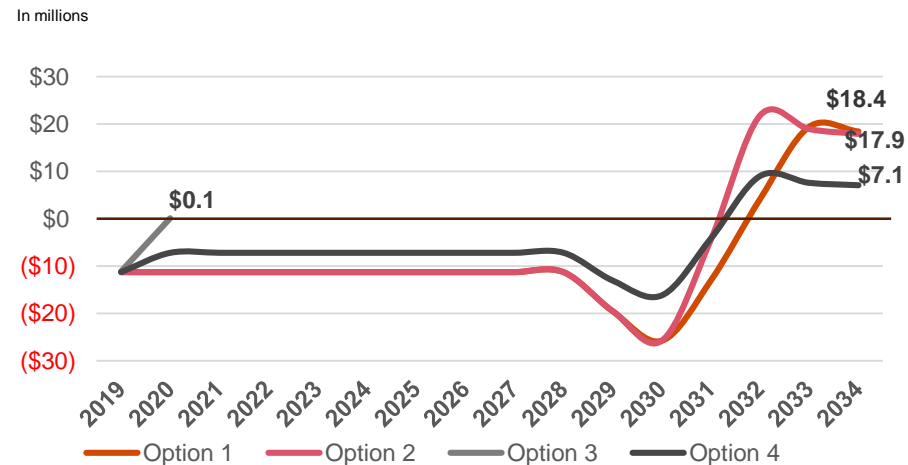


Summary of Financial Impacts

Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$18.4M	\$5.7M	\$29.5M	7.0%	14 yrs	\$11.17M	\$21.3M
2	\$17.9M	\$6.0M	\$29.0M	7.3%	13 yrs	\$11.46M	\$21.9M
3	\$0.1M	(\$0.3M)	\$11.2M	-	1 yrs	\$11.51M	\$13.7M
4	\$7.1M	\$0.9M	\$18.2M	4.9%	13 yrs	\$11.48M	\$15.9M

- (1) Discounted at 4.0% annually
- (2) From 2019 to sale of last lot or parcel of land (excludes forecasted City recoveries)
- (3) Municipal taxes forecasted for a period of 30 years (2019 to 2048)
- (4) Excludes historical land and other costs incurred to-date

Summary of Cumulative Cash Flows



Note: Timelines represented in this graph reflect forecasted City recoveries.

Disposition Option Analysis

Goodridge Corners

- As noted above, the Goodridge Corners project comprises approximately 409 acres slated for development over 14 stages (Stages 3 to 16).
- This analysis has considered a plan amendment scenario whereby initially planned business employment and manufactured housing areas are now considered to be low density residential. As a result, the Goodridge lands are intended to be rezoned and developed into a mixed-use residential neighbourhood that will be comprised of approximately 319 acres of gross developable low density residential-zoned land (yielding 1,328 single family lots), 48.5 acres of low-rise apartment-zoned land and 10.5 acres of other mixed-use lands. These entire Goodridge community is currently zoned AG (agriculture).
- Per information provided by ELD, planning and servicing of the Goodridge Lands are to commence in 2020 and be substantially completed by the end of 2048. Following completion of site servicing for each stage, sales of single family lots and rezoned land are projected to occur, with all lots / land having been sold by the end of 2048.
- Single family lots are expected to sell for approximately \$4,650 per front foot (2019 equivalent). Agriculture land expected to sell for \$150,000 per acre. Medium density residential, low-rise apartment and mixed-use land are expected to sell upon servicing for approximately \$650,000 per acre zoned (and \$900,000 zoned and serviced), \$1.0 million and \$1.275 million per acre (2019 equivalent), respectively.
- It is again noted that portions of the lands contained within the development could be rezoned through a potential plan amendment; the resulting impact of which is not assumed to be material when considering the option of a Quick Sale.

Disposition Option Analysis

- Four disposition options for the Goodridge Corners development project were considered:
 - **Option 1 (Status Quo)** - ELD continues to plan, develop, service and sell building and development lots as currently contemplated.
 - **Option 2 (Accelerated Absorption)** - ELD continues to plan, develop and service building and development lots as currently contemplated, with sales occurring on an accelerated basis.
 - **Option 3 (Quick Sale)** – ELD sells the entirety of the Goodridge Lands, on an as-is basis, to a private third party, with no additional expenditures being made. The land is assumed to sell as agriculture, as is currently zoned.
 - **Option 4 (Development and sale of Stages 3, 4, and 5; Quick sale of remaining land)** – ELD continues to plan develop, service and sell the building lots associated with Stages 3, 4, and 5, and sells the remaining land, on an as-is basis, to a private third party, with no additional expenditures made. The land is assumed to sell as agriculture, as is currently zoned.
- In evaluating the financial implications of each disposition option, PwC reviewed the development proforma prepared by ELD and made adjustments as considered appropriate to account for differences in each option. In evaluating ELD's development proforma for the Goodridge lands, PwC had regard to and assessed a number of ELD's assumptions, including land acquisition costs and site servicing costs.
- In addition, municipal taxes generated from each disposition option were also calculated. In this regard, it was assumed that while the lands were under City / ELD ownership, the lands would not be subject to property taxes.

Disposition Option Analysis

Goodridge Corners (continued)

- Upon their sale to a private developer or individual, the lands would then give rise to municipal property tax obligations at the 2019 rate of \$350 per acre for farmable agriculture land, 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for low-rise apartment and mixed-use lands.
- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home.
- Property taxes have been assumed to increase by 2.0% annually from 2019.

Financial Implications of the Disposition Option Analysis

- Based on PwC's evaluation of the four above described disposition options, PwC concludes the following:
 - Option 1 (Status Quo) is projected to yield the greatest net proceeds to the City (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) on an undiscounted basis (\$151.0 million).

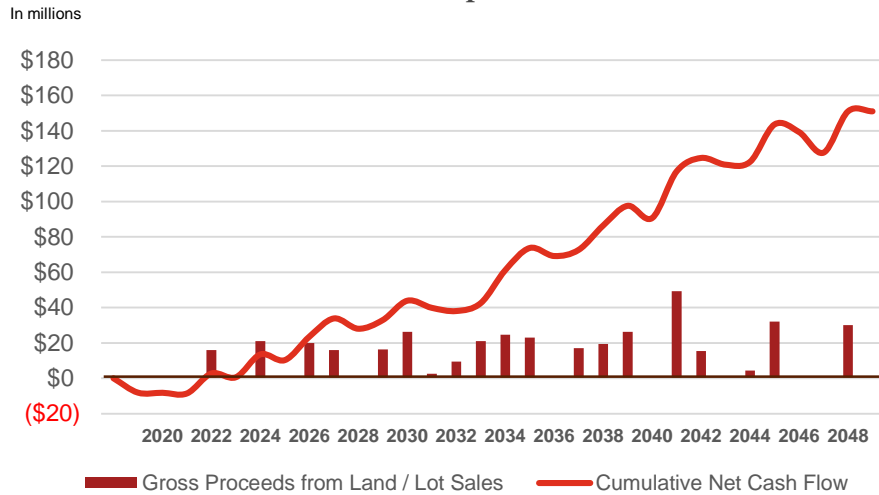
- Option 2 (Accelerated Absorption) is projected to yield the greatest net proceeds and tax revenue to the City on a discounted basis (\$79.1 million and \$141.8 million, respectively) both individually and on aggregate.
- Option 3 (Quick Sale) is projected to yield the greatest total return percentage (an IRR of 72.1%). However, net proceeds available to the City through this disposition option would be lowest. Excluding these costs, the "quick sale" of Goodridge is projected to generate \$64.4 million in gross disposable cash proceeds.
- Based on the foregoing, Option 2 would be recommended given it is projected to provide the highest combination of net proceeds and property tax revenue on a net present value basis.

Option 1 (Status Quo)	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Proceeds from Sales	\$15,990,000	\$57,010,000	\$75,570,000	\$84,250,000	\$91,050,000	\$66,500,000	\$390,370,000
Net Income	\$590,000	\$27,430,000	\$14,490,000	\$43,900,000	\$34,410,000	\$30,170,000	\$150,990,000
Option 2 (Accelerated Absorption)							
Gross Proceeds from Sales	\$15,990,000	\$98,670,000	\$52,680,000	\$83,450,000	\$98,470,000	\$28,470,000	\$377,730,000
Net Income	\$60,000	\$42,960,000	\$11,470,000	\$34,700,000	\$43,300,000	\$5,850,000	\$138,340,000
Option 3 (Quick Sale)							
Gross Proceeds from Sales	\$64,390,000	\$0	\$0	\$0	\$0	\$0	\$64,390,000
Net Income	\$47,280,000	\$0	\$0	\$0	\$0	\$0	\$47,280,000
Option 4 (Development and sale of Stages 3, 4 and 5; Quick sale of remaining land)							
Gross Proceeds from Sales	\$71,460,000	\$41,080,000	\$0	\$0	\$0	\$0	\$112,540,000
Net Income	\$46,080,000	\$20,140,000	\$0	\$0	\$0	\$0	\$66,220,000

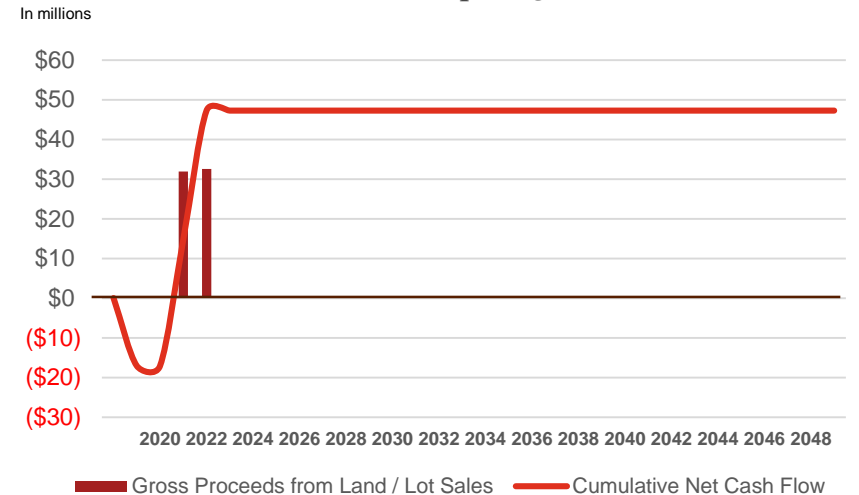
Disposition Option Analysis

Goodridge Corners (continued)

Option 1



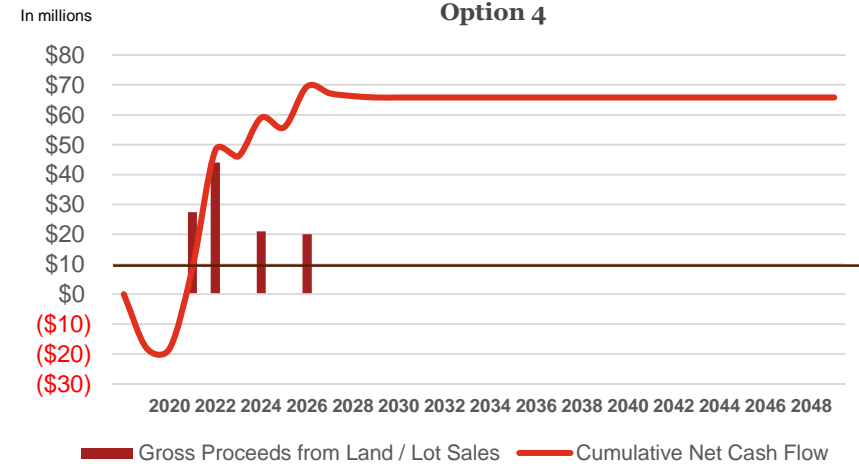
Option 3



Option 2



Option 4



Disposition Option Analysis

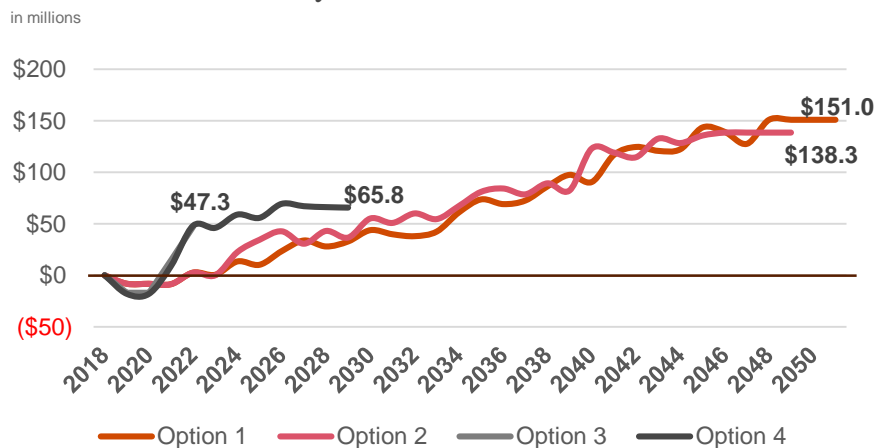
Goodridge Corners (continued)

Summary of Financial Impacts

Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$151.0M	\$78.7M	\$159.1M	38.1%	29 yrs	\$55.26M	\$134.0M
2	\$138.3M	\$79.1M	\$146.4M	45.7%	27 yrs	\$62.71M	\$141.8M
3	\$47.3M	\$41.3M	\$64.4M	72.1%	2 yrs	\$62.74M	\$104.0M
4	\$65.8M	\$55.8M	\$83.9M	70.0%	6 yrs	\$62.73M	\$118.5M

- (1) Discounted at 4.0% annually
 (2) From 2019 to sale of last lot or parcel of land (excludes forecasted City recoveries)
 (3) Municipal taxes forecasted for a period of 30 years (2019 to 2048)
 (4) Excludes historical land and other costs incurred to-date

Summary of Cumulative Cash Flows



Recommended Option

- Based on the foregoing analyses, the following disposition options are recommended for each development:
 - Schonsee:** Option 1 (Status Quo)
 - Aster:** Option 2 (Accelerated Absorption)
 - Goodridge Corners:** Option 2 (Accelerated Absorption)
- It is projected that ELD would be able to generate the greatest financial benefit by taking each of its greenfield residential development projects through the entire planning, servicing, development and sale process, and in this regard, generate significantly more revenue and realize greater net income in doing so.
- In aggregate, the three recommended options are projected to yield net proceeds (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) in the range of \$181.1 million (on an undiscounted basis) over the 2019 through 2048 period.
- Positive net proceeds are projected to commence starting in 2024 with the five years between 2024 and 2028 expected to generate total net proceeds in the range of \$102.9 million based on gross proceeds from land and building lot sales of \$124.0 million and net property development expenses of \$21.1 million.
- During the 2019 through 2023 period, the recommended options are projected to result in net proceeds of -\$47.9 million based on net property development expenses of \$79.3 million (including land costs) which would only be partially offset by gross sale proceeds of \$31.4 million.
- Between 2029 and 2033, the recommended options are projected to generate net income of \$44.1 million, based on projected gross sale proceeds of \$109.4 million and net property development expenses of \$66.1 million.
- From 2034 and beyond, additional net proceeds of approximately \$82.9 million are projected to be generated from the development and sale of land and building lots in Goodridge Corners.

Disposition Option Analysis

Recommended Options (continued)

SCHONSEE (Option 1)	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Disposable Cash Proceeds from Sales	15,450,000	25,330,000	-	-	-	-	\$40,780,000
Net Expenses	(52,130,000)	34,620,000	1,590,000.00	-	-	-	(\$15,920,000)
Net Income	(36,680,000)	59,950,000	1,590,000	-	-	-	\$24,860,000

ASTER (Option 2)	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Disposable Cash Proceeds from Sales	-	-	56,690,000	-	-	-	\$56,690,000
Net Expenses	(11,270,000)	-	(26,480,000)	(1,000,000)	-	-	(\$38,750,000)
Net Income	(11,270,000)	-	30,210,000	(1,000,000)	-	-	\$17,940,000

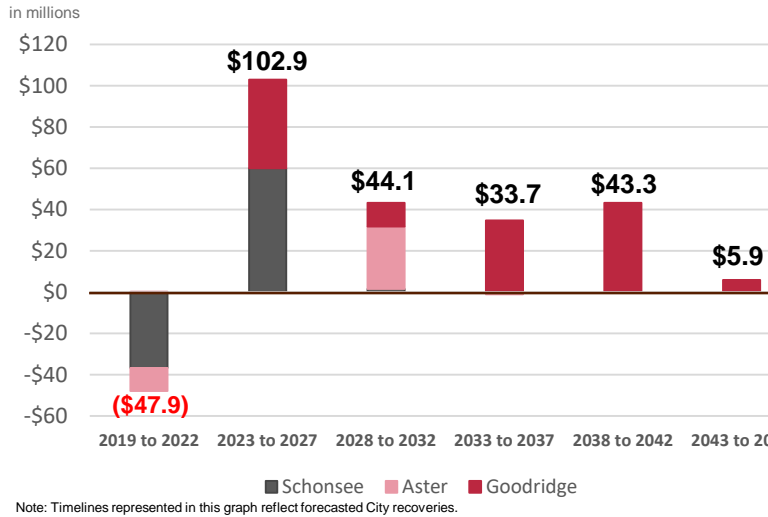
GOODRIDGE CORNERS (Option 2)	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Disposable Cash Proceeds from Sales	15,990,000	98,670,000	52,680,000	83,450,000	98,470,000	28,470,000	\$377,730,000
Net Expenses	(15,920,000)	(55,710,000)	(41,210,000)	(48,750,000)	(55,180,000)	(22,620,000)	(\$239,390,000)
Net Income	60,000	42,960,000	11,470,000	34,700,000	43,300,000	5,850,000	\$138,340,000

CONSOLIDATED	2019-2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Gross Disposable Cash Proceeds from Sales	31,440,000	124,000,000	109,370,000	83,450,000	98,470,000	28,470,000	\$475,200,000
Net Expenses	(79,320,000)	(21,090,000)	(66,100,000)	(49,750,000)	(55,180,000)	(22,620,000)	(\$294,060,000)
Net Income	(47,880,000)	102,910,000	43,270,000	33,700,000	43,290,000	5,850,000	\$181,140,000

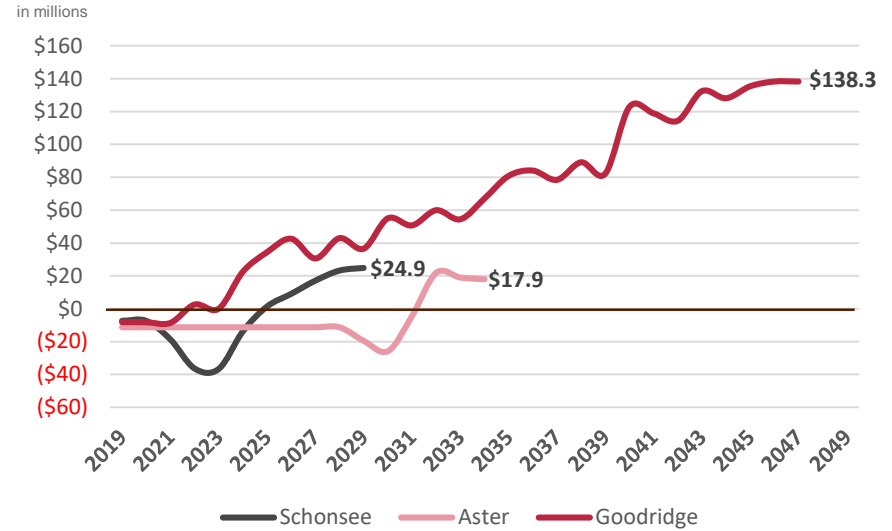
Disposition Option Analysis

Recommended Options (continued)

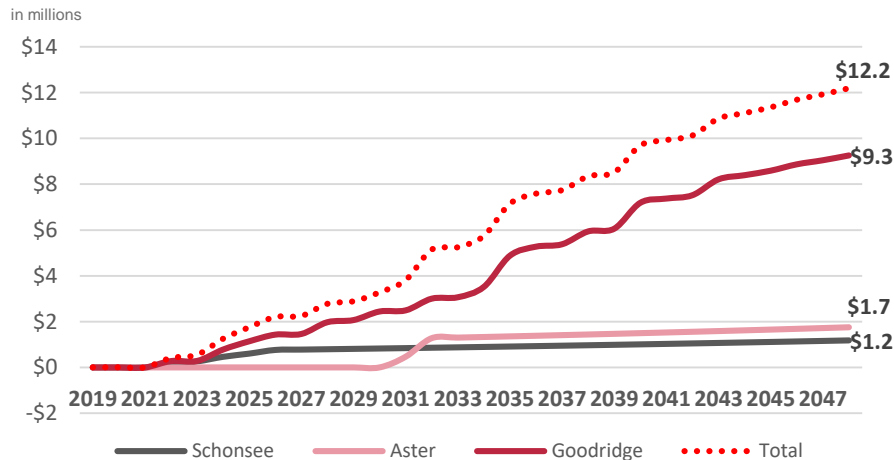
Summary of Total Annual Cash Flows - Recommended Options



Summary of Cumulative Cash Flows - Recommended Options



Summary of Annual Municipal Property Taxes - Recommended Options



5

Social and Environmental Impacts

Social & Environmental Impacts

- In order to evaluate the social and environmental benefits which ELD provides through its greenfield land development, including building up and advancing the affordable housing stock within the City of Edmonton, PwC contacted 11 other Canadian municipalities, including seven with similar land development agencies to ELD (comprising the cities of Calgary, Lethbridge, Medicine Hat, Red Deer, Saskatoon, Ottawa and Toronto) and four additional Canadian municipalities identified by ELD as warranting consideration (comprising the cities of Victoria, Vancouver, Winnipeg and Halifax). In addition, three private sector land development companies were contacted, with PwC having had conversations with two national land developers.
- The purpose of these consultations was to identify best practices related to social and environmental benefits and advancing affordable housing opportunities within the greenfield land development process, and to compare these leading practices to existing ELD practices.
- Questions posed to the 13 entities surveyed are identified in the following figure.

Leading Practices – Social & Environmental Benefits

- Leading practices identified through these 13 consultations relating to the advancement of social and environmental benefits include the following:
 - Municipal land development agencies involved in greenfield and / or larger urban redevelopment projects have trended to be more progressive in advancing and investing in economically and environmentally sustainable developments. Examples cited include economic infrastructure investment with a eye to maximizing life cycle costing, flood mitigation, pollutant run-off management, storm water management, wetland preservation and enhancement, district energy and net-zero impact designs, among other initiatives. Municipal land development agencies have also tended to be earlier adopters of such practices, in some cases implementing these features on a “pilot” basis.

Benchmarking Questions

What policies does the city have with respect to advancing social and environmental benefits within its land development group / within its land development process?

How does the private sector developer look to advance / incorporate social and / or environmental benefits within their land development projects?

What policies does the city have with respect to improving efficiency within its land development group / within the land development process?

How does the private sector developer look to enhance / improve efficiency within its land development process?

What policies does the city have with respect to advancing affordable housing opportunities within its land development group / within the land development process?

How does the private sector developer look to advance affordable housing opportunities within its developments?

- Examples of cities who indicated that they regularly employed such practices include Calgary (Calgary Municipal Land Corporation, “CMLC”), Saskatoon, Medicine Hat, Red Deer and Lethbridge.
- Private land developers are similarly involved in green building and infrastructure design; research indicates that private land developers strive to make “positive, lasting social impacts in communities they build”, including through the building of homes that save money, energy, water and land.
- Municipal developers, particularly those focused on urban infill projects (as opposed to greenfield land development projects) are involved in transforming “less desirable” neighbourhoods that are able to facilitate the attraction of new private sector investment.

Examples of cities involved in such urban neighbourhood transformation projects include CMLC, Ottawa (Ottawa Community Lands Development Corporation) and Toronto (Build Toronto, now CreateTO). While ELD is focused more on greenfield sites, Edmonton examples could include future urban redevelopment projects like Rosedale and the Exhibition Lands.

Social & Environmental Impacts

Leading Practices – Social & Environmental Benefits (continued)

- Municipal development agencies and private developers each state they focus on creating neighbourhoods that are accessible across a wide socio-economic spectrum. While private developers look to balance development densities and built-form that are appropriate for individuals and families across various income levels, municipal agencies tend to be more focused on providing housing which achieve affordability targets, particularly with respect to affordable homeownership and affordable rental whether directly through their lot / housing offerings, or indirectly by providing land or a portion of their development profits to affordable housing providers.

Examples of cities involved in providing such social benefits include ELD, CMLC, Saskatoon, Medicine Hat, Red Deer, Lethbridge, Ottawa and Toronto.

- The most significant social and environmental benefit provided by municipal land development agencies is that the “surplus” made from land development (revenue from the sale of land / building lots less land acquisition costs, design and planning costs, development and site servicing costs, and property holding costs) stay within the municipality and are used for other civic purposes, including offsetting operational costs of the city (i.e., they go to the city’s consolidated revenue to reduce reliance on the tax base) and / or are used for other strategic capital and operating purposes (including to purchase strategic environmentally sensitive wetlands, to support the construction of new city facilities / provide community benefits, to support the city’s affordable housing expansion programs, for additional land acquisition and / or strategic land acquisitions, etc.).

While such practices are similar to ELD’s dividend policy, the use of net development proceeds differs by municipality, with Saskatoon, Medicine Hat, Red Deer and Lethbridge each having varying policies of how these “dividends” are used for broader civic purposes.

Leading Practices – Process Efficiency

- Efficiency relates to the manner in which projects are devised, planned, approved and developed. For private developers, efficiency relates to “sales velocity” and is noted as being critical as land developers are planning for lot and / or home sales in future years while knowing that customer preferences, needs and the technologies and features demanded will be foundationally different. As such, the speed and efficiency with which land can be planned, zoned, serviced, built-out and sold is critical to meeting consumer needs as well as overall land development profit expectations.
- Efficiency within municipal land development organizations is similarly critical. While all municipal agencies PwC consulted with cited the need to balance the timing of expenditures with future land / lot sales, leading practices identified how “flexibility” was built into their planning and development processes. In this regard, municipalities like ELD, Lethbridge and Saskatoon conceptually plan out their entire development area, but only undertake detailed planning (including zoning / rezoning) and servicing in two to three year intervals. This flexibility allows the municipality to better balance expenditures with future market conditions (in addition to allowing it to meet other mandated requirements, including in terms of the proportion of the market it can be in any year).

Leading Practices – Affordable Housing Provision

- Each municipal land development agency consulted with directly and / or indirectly assists in the provision of affordable housing. Each municipal agency consulted with has provided land at no cost or at significantly below market value to non-profit housing providers (including, for example, Habitat for Humanity) for the construction of below market rental developments. It should be noted that such properties are typically located in more central / urban locations which are readily accessible by transit (as opposed to greenfield / peripheral locations). Municipal land development agencies also work with local municipal housing departments to assist in the identification of sites for affordable housing projects.

Social & Environmental Impacts

Leading Practices – Affordable Housing Provision (continued)

Examples include ELD, CMLC, Ottawa, Toronto, Vancouver, Victoria, Halifax, Winnipeg, Saskatoon, Lethbridge, Medicine Hat and Red Deer.

- In some instances, municipal land development agencies may require that a portion of their developments achieve price thresholds for affordable home ownership (generally through lot purchase and sale agreements). The private sector is also somewhat involved in the provision of more “affordable” home ownership, with efficiency, density mixes and different housing types providing “economies of scale” which assist in lowering the cost of some new housing, and thus providing a range of ownership housing options to meet the needs and pricing of potential consumers.
- A third leading practice through which municipal land development agencies assist in the provision of affordable housing is through directing a portion of their net operating surplus / dividend to their respective city’s affordable housing program. In some cities, these proceeds are allocated to an “Affordable Housing Endowment Fund” (whether a percentage of net proceeds / surplus or a fixed annual amount) which is used to fund the creation and / or maintenance of below market and deep affordable (for very low and low income tenants) rental projects. Examples include Saskatoon, Lethbridge and Ottawa, with cities like Victoria, Vancouver, Halifax and Toronto utilizing land and / or proceeds from density bonusing to fund their endowment fund.

Summary

- Through consultations with 11 municipalities and two private sector land developers, ten “leading practices” with respect to achieving social and environmental benefits, achieving efficiencies and advancing affordable housing opportunities were identified. Based on PwC’s understanding of ELD and its operations, it is preliminarily concluded that ELD is consistent with six of these leading practices while it partially achieves three other leading practices.
- It was found that ELD only achieves the basic tenets of all but one leading practice, that being allocating its net operating surplus / dividend directly to support the creation and operation of affordable housing projects (while ELD provides revenue to the City of Edmonton through its land dividend policy, the use of this dividend is at the discretion of the City and may not be used to directly support the creation or operation of affordable housing projects).

Leading Practices	
Social & Environmental Benefits	
●	Advancing and investing in economically and environmentally sustainable developments
◐	Transforming and enhancing neighbourhoods
◐	Creating neighbourhoods that are accessible across a wide socio-economic spectrum
●	Facilitating land for affordable housing
●	Generating proceeds for other civic purposes
Efficiency	
●	Incorporating flexibility in how developments are planned, zoned, serviced and built-out
●	Planning and phasing developments to match market and consumer needs
Affordable Housing	
●	Providing land for affordable housing projects
◐	Providing a range of housing options at various pricing levels
◐	Allocating net operating surpluses / dividends to directly support the creation and operation of affordable housing projects
●	Mostly to fully achieves the leading practice
◐	Partially achieves the leading practice
◑	Achieves only basic tenets of the leading practice

6

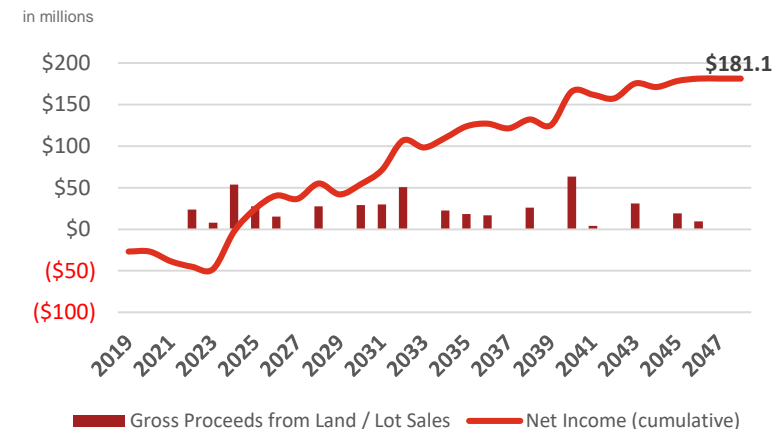
Impact Assessment

Impact Assessment

Application of Net Proceeds

- As noted in Section 4, the development of ELD's various greenfield residential land development projects are projected to generate significant proceeds to the City. In aggregate, the recommended disposition options are projected to yield net proceeds (after acknowledging upfront property acquisition costs and costs associated with the planning, servicing and subdividing of the lands) in the range of \$181.1 million (undiscounted), over the 2019 to 2048 period, with some \$102.9 million being generated between 2024 and 2028.
- In summary, and as is outlined on page 29, above, it is projected that the City could realize net income from the development and sale of Schonsee, Aster and Goodridge Corners in the range of:
 - A loss of \$47.9 million between 2019 and 2023, based on gross sale proceeds of \$31.4 million offset against development expenses (including land) of \$79.3 million;
 - \$102.9 million between 2024 and 2028, based on gross sale proceeds of \$124.0 million less development expenses of \$21.1 million;
 - \$44.1 million between 2029 and 2033, based on gross sale proceeds of \$109.4 million and development expenses of \$66.1 million;
 - \$33.7 million between 2034 and 2038, based on gross sale proceeds of \$83.5 million and development expenses of \$49.8 million;
 - \$43.3 million between 2039 and 2043, based on gross sale proceeds of \$98.5 million and development expenses of \$55.2 million; and
 - \$5.9 million between 2044 and 2048, based on gross sale proceeds of \$28.5 million and development expenses of \$22.6 million.

Recommended Options - Consolidated



- The above identified net proceeds would contribute to ELD's annual net operating income and; thus, contribute to ELD's Land Enterprise Dividend payment to the City. Per information provided by ELD, the recommended disposition options, combined with ELD's other operations, are projected to generate total dividend payments to the City of \$51.7 million over the 2019 to 2048 period, including \$4.8 million between 2019 and 2023 and \$13.3 million between 2024 and 2028.
- By 2048 ELD is projected to amass retained earnings in the range of \$242.0 million.

Projected Land Enterprise Dividend

	2019 - 2023	2024 - 2028	2029 - 2033	2034 - 2038	2039 - 2043	2044 - 2048
Retained Earnings at Start of Year	\$33,060,000	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000
Net Income for Dividend Purposes	\$18,980,000	\$53,090,000	\$66,390,000	\$38,690,000	\$22,460,000	\$7,090,000
Land Enterprise Dividend	\$4,750,000	\$13,270,000	\$16,600,000	\$9,670,000	\$5,610,000	\$1,770,000
Retained Earnings at End of Year	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000	\$241,970,000

Figures represent enterprise-wide revenues, net income and retained earnings for ELD, including revenue for industrial and other residential land development projects which were outside the scope of PwC's mandate

Impact Assessment

Application of Net Proceeds (continued)

- As we understand it, proceeds currently being provided to the City through the Land Enterprise Dividend policy are allocated into the City's consolidated revenue and used to support overall City operations. We further understand that such dividends are not currently directed to any specific City policy, program or initiative (as is done in some other municipalities).
- The net proceeds generated from the disposal of ELD's various greenfield land holdings, as well as the retained earnings generated by ELD (all or a portion thereof), could instead (or in addition to) be targeted towards City-identified priorities and projects, including, for example:
 - to support the development of the Rossdale Neighbourhood and Exhibition Lands;
 - to create and maintain an investment fund;
 - to assist in building up and advancing affordable housing stock in the City; and /or
 - to support other city initiatives.

Rossdale and Exhibition Lands

Rossdale

- The Rossdale Neighbourhood ("Rossdale") is a primarily residential neighbourhood located on the North Saskatchewan River flats immediately south of downtown Edmonton. It is the oldest area of settlement in Edmonton and played a key part in the early industrial and residential development of the City.
- The City sees this area evolving into a vibrant community and has set out a long-term city-building initiative for its transformation. Key projects associated with this plan include a revitalized West Rossdale, a new Walterdale Bridge, the Touch the Water Promenade and a repurposed Rossdale Generating Station.
- Development proformas detailing the timing of when anticipated expenditures would occur were not made available to PwC. We understand that total development expenditures are estimated to be in the range of \$72.2 million, including costs associated with upgrading streets and utilities (\$54.9 million) and street and public open space landscaping (\$17.3 million).

Rossdale Area Redevelopment Plan



Impact Assessment

Rossdale and Exhibition Lands (continued)

Exhibition Lands

- The Edmonton Exhibition Lands represent a major redevelopment opportunity in northeast Edmonton. With over 200 acres, the Exhibition Lands are the City's second largest urban infill site. Its location close to downtown, LRT and transit, the river valley, a major city park and green space amenities are concluded to make this a prime redevelopment opportunity for Edmonton.
- The approved concept plan for the Exhibition Lands focuses development around two mixed-use transit villages, an expanded Borden Park and EXPO Centre. In total, the redevelopment is anticipated to include approximately 3,500 residential units housing 8,500 people, and take approximately 20 to 30 years to achieve full build-out.
- Per information provided by the City, we understand that the total capital cost associated with this project will be in the range of \$90.7 million, with these expenditures funded through a combination of debt, operating transfers and revenues received from land sales. The majority of development expenditures (\$83.0 million, or 91.6%) are projected to occur between 2019 and 2031, with \$52.8 million being required between 2019 and 2025 and \$30.3 million between 2026 and 2031.

Assessment

- Based on the above presented assessment of disposition options for ELD's greenfield residential development projects, and in consideration

of the approaches undertaken by other municipalities, it is noted that all or a portion of the current Enterprise Land Dividend could be directed towards the development of Rossdale and / or Exhibition Lands.

- In addition, it may be possible for a portion of ELD's retained earnings to be used to directly support these city-building projects. As noted above, ELD is projected to have retained earnings in the range of \$242.0 million, with its retained earnings growing from approximately \$6.7 million as at year-end 2023, to almost \$108.2 million by year-end 2028. This increase of \$101.5 million could thus be used to support the development of Rossdale, Exhibition Lands or any other city-building initiative.
- In order to identify how ELD may be able to additionally support its operations / mandate as well as utilize some of its proceeds / retained earnings to help advance the development of Rossdale and Exhibition Lands, PwC assumed that an additional, "Special" dividend equal to the amount by which ELD's retained earnings exceed \$30.0 million in any year (in order to provide it with sufficient reserves to fund future expenditures) could be provided.
- Under such a scenario, ELD is projected to be able to advance in the range of \$226.2 million between 2024 and 2048 to support Rossdale, the Exhibition Lands or other projects and programs identified by the City. Such additional dividends are projected to total some \$78.2 million between 2024 and 2028, an additional \$56.6 million between 2029 and 2033, and more than \$49.6 million between 2034 and 2038.

	2019 - 2023	2024 - 2028	2029 - 2033	2034 - 2038	2039 - 2043	2044 - 2048	TOTAL
Retained Earnings at Start of Year	\$33,060,000	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000	
Net Income for Dividend Purposes	\$18,980,000	\$53,090,000	\$66,390,000	\$38,690,000	\$22,460,000	\$7,090,000	
Land Enterprise Dividend	\$4,750,000	\$13,270,000	\$16,600,000	\$9,670,000	\$5,610,000	\$1,770,000	\$51,670,000
Retained Earnings at End of Year	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000	\$241,970,000	
"Special Dividend"	\$0	\$78,200,000	\$56,570,000	\$49,550,000	\$41,830,000	\$0	\$226,150,000
Retained Earnings at End of Year after Special Dividend	\$6,720,000	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$15,820,000	
Total Dividend Paid	\$4,750,000	\$91,470,000	\$73,170,000	\$59,220,000	\$47,440,000	\$1,770,000	\$277,820,000

The "Special Dividend" equals the amount by which ELD's retained earnings in any year exceed \$30.0 million.

Impact Assessment

Rossdale and Exhibition Lands (continued)

Assessment (continued)

- An alternative scenario analyzed to illustrate how ELD could utilize proceeds from the sale of its greenfield residential land holdings involves allocating all of the gross sale proceeds from a specific project to these city-building initiatives.
- In this regard, if Option 2 (Quick Sale) for Schonsee was adopted, it is estimated that ELD could generate \$9.3 million in 2021. If 100% of these gross disposable cash proceeds from sale (i.e., excluding land acquisition costs and costs incurred up to the time of the sale associated with planning, servicing and subdividing the property) were allocated to the development of Rossdale or the Exhibition Lands, the following implications are noted:
 - Land Enterprise Dividend revenue would decline by an estimated \$6.2 million (Land Enterprise Dividends are projected to be lower by \$1.9 million between 2024 and 2028 and lower by \$4.3 million between 2029 and 2033).
 - “Special Dividend” revenue would decline by an estimated \$26.0 million (Special Dividend revenue would be higher by \$11.7 million between 2019 and 2023, but would be lower by \$40.5 million between 2024 and 2028 and lower by \$2.7 million between 2029 and 2033).
 - In aggregate, and including the \$9.3 million in proceeds, the “Quick Sale” of the Schonsee property (Option 2), using 100% of the gross sale proceeds to assist in the development of Rossdale and / or Exhibition Lands, is projected to result in a total negative impact to the City and ELD of almost \$23.0 million compared to PwC’s recommended option.
- Similar observations were found for a “quick sale” of the Aster property, in this instance taking the gross proceeds from this sale (estimated to be \$11.2 million in 2020) would result in a net impact of almost \$18.0 million, including a total reduction in Land Enterprise Dividend revenue of \$4.5 million and the potential loss of \$24.7 million in revenue from the “Special Dividend”.

- The quick sale of the Goodridge Corners is projected to have the greatest negative impact, with the gross proceeds from this sale (\$64.4 million, with \$31.9 million projected in 2021 and \$32.5 million projected in 2022) resulting in a net impact of over \$74.4 million, including a total reduction in Land Enterprise Dividend revenue of \$29.4 million and a potential reduction in “Special Dividends” of almost \$109.4 million.

	Recommended Scenario	Quick Sale of Schonsee	Difference
Revenue from Land Enterprise Dividend	\$51,670,000	\$45,450,000	-\$6,220,000
Special Dividend	\$226,150,000	\$200,120,000	-\$26,030,000
Gross Sale Proceeds	\$0	\$9,270,000	\$9,270,000
Total Impact	\$277,820,000	\$254,840,000	-\$22,980,000

	Recommended Scenario	Quick Sale of Aster	Difference
Revenue from Land Enterprise Dividend	\$51,670,000	\$47,180,000	-\$4,490,000
Special Dividend	\$226,150,000	\$201,430,000	-\$24,720,000
Gross Sale Proceeds	\$0	\$11,210,000	\$11,210,000
Total Impact	\$277,820,000	\$259,820,000	-\$18,000,000

	Recommended Scenario	Quick Sale of Goodridge	Difference
Revenue from Land Enterprise Dividend	\$51,670,000	\$22,230,000	-\$29,440,000
Special Dividend	\$226,150,000	\$116,780,000	-\$109,370,000
Gross Sale Proceeds	\$0	\$64,390,000	\$64,390,000
Total Impact	\$277,820,000	\$203,400,000	-\$74,420,000

Impact Assessment

Rossdale and Exhibition Lands (continued)

Assessment (continued)

- While the use of proceeds from the earlier sale of ELD's various greenfield residential land development projects (versus the recommended option of continuing to see them through the development and sale of building lots) could allow the City to realize revenue at an earlier juncture for use in various city-building projects like Rossdale and Exhibition Lands, it is noted that such an approach would reduce the total amount of revenue available to the City, including revenues generated from the Land Enterprise Dividend and any "Special Dividend" which may be provided. In addition, it is noted that ELD's retained earnings would be reduced and could potentially impact ELD's ability to operate as a "self-sustaining Enterprise" of the City.
- Similar to the assessment of presented immediately above (associated with the implications of applying proceeds realized from land / lot sales towards the development of Rossdale and Exhibition Lands), it is again noted that after application of the Land Enterprise Dividend Policy, ELD is projected to amass retained earnings of almost \$242.0 million by 2048, with this accumulated surplus growing from approximately \$6.7 million in 2023 to \$108.2 million at year end 2028, \$164.8 million at year end 2033 and more than \$214.3 million at year end 2038.
- These retained earnings could similarly be allocated to establish, maintain and grow an investment fund. Under the scenario outlined above, and again assuming that the amount by which ELD's retained earnings exceed \$30.0 million in any year could be provided as a "Special Dividend", all or a portion of these revenues could be used to establish and fund an investment fund.
- Assuming that 25% of the revenue from a "Special Dividend" was used to establish, maintain and grow an investment fund, it is projected that such a fund could generate \$56.5 million in total investment capital, and still leave \$169.6 million for other City initiatives. Assuming this fund was maintained and grew at 2.00% per year, it is estimated that the investment fund could reach a value of \$78.4 million by 2048.

Investment Fund

- Per the Terms of Reference for this assignment, PwC was also asked to consider the impacts of applying the proceeds realized from the sale of ELD's greenfield land development projects for the establishment of an investment fund. Per discussions with ELD, an "investment fund" is assumed to mean an endowment fund, where proceeds from land sales are deposited into an investment account which would earn interest and allow the City to create and maintain a reserve fund for future initiatives and / or funding pressures.

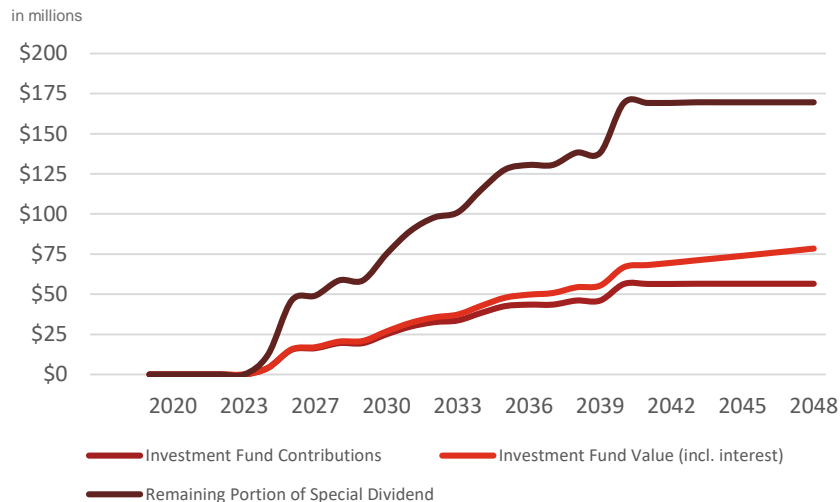
	2019 - 2023	2024 - 2028	2029 - 2033	2034 - 2038	2039 - 2043	2044 - 2048	TOTAL
Retained Earnings at Start of Year	\$33,060,000	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000	
Net Income for Dividend Purposes	\$18,980,000	\$53,090,000	\$66,390,000	\$38,690,000	\$22,460,000	\$7,090,000	
Land Enterprise Dividend	\$4,750,000	\$13,270,000	\$16,600,000	\$9,670,000	\$5,610,000	\$1,770,000	\$51,670,000
Retained Earnings at End of Year	\$6,720,000	\$108,200,000	\$164,770,000	\$214,320,000	\$256,150,000	\$241,970,000	
"Special Dividend"	\$0	\$78,200,000	\$56,570,000	\$49,550,000	\$41,830,000	\$0	\$226,150,000
Investment Fund (@ 25% of Special Dividend)	\$0	\$19,550,000	\$14,142,500	\$12,387,500	\$10,457,500	\$0	\$56,537,500
Other Civic Purposes (@ 75% of Special Dividend)	\$0	\$58,650,000	\$42,427,500	\$37,162,500	\$31,372,500	\$0	\$169,612,500
Retained Earnings at End of Year after Special Dividend	\$30,000,000	\$29,920,000	\$30,000,000	\$26,440,000	\$30,000,000	\$20,520,000	
Total Dividend Paid	\$4,750,000	\$91,470,000	\$73,170,000	\$59,220,000	\$47,440,000	\$1,770,000	\$277,820,000

The "Special Dividend" equals the amount by which ELD's retained earnings in any year exceed \$30.0 million.

Impact Assessment

Investment Fund (continued)

Assessment (continued)



Advancing the City's affordable housing stock

Description

- The City of Edmonton's Housing Department has a number of strategic initiatives directed towards advancing and building up the stock of affordable housing in the City. These initiatives include:
 - establishing a pipeline of land for housing, including permanent supportive housing sites;
 - developing a new Advocacy Strategy;
 - launching a new affordable housing (AHIP) grant application process;
 - facilitating Zoning By-law changes to permit the development and construction of affordable housing (including for example, secondary suites);

- implementing inclusionary housing policies (requiring private developers to contribute to the development of affordable housing through direct construction or providing cash-in-lieu payments);
- seeking land policy and procedure changes; and
- conducting a social housing portfolio strategy, among other initiatives.
- As noted in Section 5 (above), a number of Canadian municipalities have adopted or have implemented a number of measures designed to increase the supply of, and access to, affordable housing in their communities. Such initiatives consist of:
 - providing land to non-profit housing providers at no cost or at significantly below market value (ELD has pursued this initiative in the past, providing land to Habitat for Humanity);
 - directing a portion of the net operating surplus generated by their land development division to fund specific affordable housing programs; and
 - directing a portion of the net operating surplus generated by their land development division to establish and fund an "Affordable Housing Endowment Fund", a fund used to acquire, build and / or maintain the city's owned affordable housing stock of below market and deep affordable rental projects.
- As was noted in Section 5, above, lands provided to non-profit housing providers are generally located in more central / urban locations that are readily accessible by transit (as opposed to greenfield / suburban locations which tend to be further removed from transit and less accessible to services and employment centres). As such, "focusing" the City's residential land development activities towards building up and advancing the City's housing stock of below market affordable housing may not necessarily be best accommodated in greenfield locations.

Impact Assessment

Advancing the City's affordable housing stock (continued)

Assessment

- Rather, it is concluded that a combination of activities could be pursued, including utilizing ELD's annual dividend / allocating an additional dividend for the establishment of an "Affordable Housing Endowment Fund". Such a fund could be used to:
 - acquire land for new affordable housing projects (and support the "Pipeline of Land for Housing" initiative of the City);
 - seed a grant program to assist non-profit groups in the construction of new affordable housing projects (and thus providing a source of funding for the AHIP Grant program);
 - provide a source of capital to support annual repair and maintenance obligations of affordable housing projects; and
 - provide a source of funding to assist tenants in need.
- As noted above, ELD's projected retained earnings of \$242.0 million could be allocated to various policies and programs within the City over the 2019 to 2048 period, including programs focused on building up and advancing the City's affordable housing stock. If the same 25% of the "Special Dividend" were to be directed to such an initiative, an estimated \$56.5 million could be provided over the 2019 to 2048 period.

Other impacts

- In addition to revenue from the sale of ELD's greenfield residential projects being used to support various "city-building" projects like Rosedale and the Exhibition Lands as well as support other City initiatives (including for example, advancing the City's affordable housing stock and to create an investment fund), other initiatives which could benefit from the sale of ELD's greenfield residential projects include:
 - Supporting City debt obligations – it is noted that ELD is a self-funding enterprise which provides a dividend back to the City equal to 25% of its net income in a given year. Over the 2019 to 2023 period, ELD is projected to be able to advance in the range of \$4.8

million, and an estimated \$51.7 million in total by 2048. Such revenue could be used by the City for a number of purposes, including supporting and paying down City debt obligations.

- In addition, ELD is projected to amass total retained earnings in the range of \$242.0 million, a portion of which could additionally be utilized to further support / pay down City debt obligations.
- It is also noted that the Land Enterprise Dividend paid by ELD to the City could be used to supplement City revenues and thus to reduce its reliance on property tax revenue. In evaluating potential social and environmental benefits (Section 5, above), it was noted that the dividend paid by some municipal land development agencies is used exclusively to support city operations.
- It is lastly noted that the proceeds generated from ELD's greenfield residential land projects can be used for a range of city-building, environmental, capital project or for other uses (by way of example, Medicine Hat allocated a portion of its dividend to a reserve which funds "community benefit projects" including playgrounds, recreation centres, etc.).

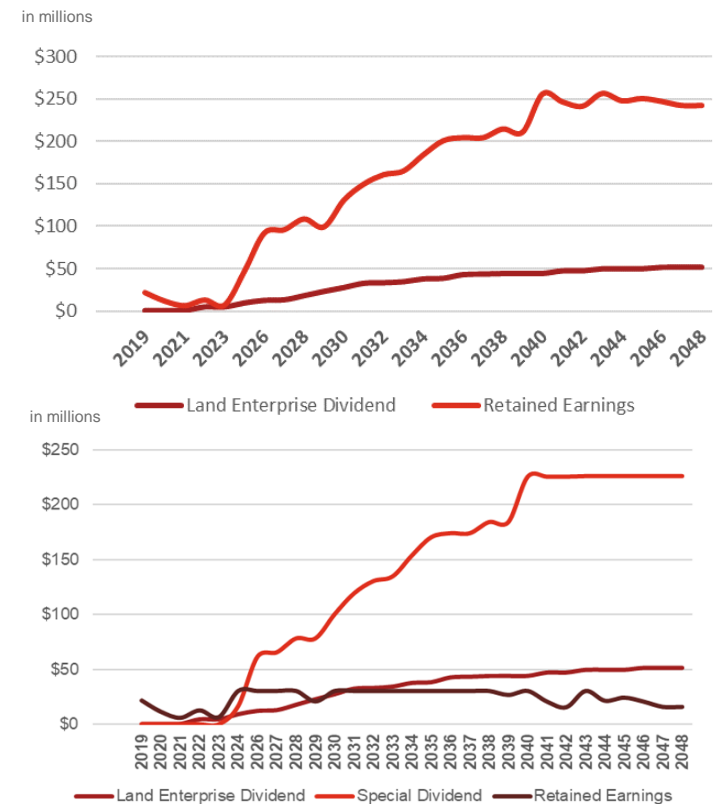
Summary

- ELD is projected to generate in the range of \$51.7 million for the City through its Land Enterprise Dividend policy by 2048. In addition, ELD is projected to amass more than \$242.0 million in retained earnings over this same time frame; a significant portion of which is generated from land and lots sales associated with ELD's greenfield residential land developments.
- Of this total, an estimated \$226.2 million could be made available through a "Special Dividend". These proceeds could be used for a number of purposes including:
 - various city-building initiatives, including Rosedale and the Exhibition Lands;
 - for the establishment of an "investment fund" which would earn interest and allow the City to a reserve fund for future initiatives and / or funding pressures;

Impact Assessment

Summary (continued)

- to support the building up and advancement of the City's affordable housing stock, including the creation of an Affordable Housing Endowment Fund; and
 - for other civic purposes, including supporting City debt obligations, supporting City operations and to provide a pool of capital for community benefit projects.
- While the use of gross sale proceeds from the earlier sale of ELD's various greenfield residential land development projects (versus the recommended option of continuing to see them through the development and sale of building lots) could allow the City to realize revenue at an earlier juncture for use in various city initiatives, including those summarized immediately above, it is noted that such an approach would reduce the total amount of revenue available to the City, including revenues generated from the Land Enterprise Dividend and any "Special Dividend" which may be provided. In addition, it is noted that ELD's retained earnings would be reduced and potentially impact ELD's ability to operate as a "self-sustaining Enterprise" of the City.



	2019 - 2023	2024 - 2028	2029 - 2033	2034 - 2038	2039 - 2043	2044 - 2048	TOTAL
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"Special Dividend"	\$0	\$78,200,000	\$56,570,000	\$49,550,000	\$41,830,000	\$0	\$226,150,000
Retained Earnings at End of Year after Special Dividend	\$6,720,000	\$30,000,000	\$30,000,000	\$30,000,000	\$30,000,000	\$15,820,000	
Total Dividend Paid	\$4,750,000	\$91,470,000	\$73,170,000	\$59,220,000	\$47,440,000	\$1,770,000	\$277,820,000

The "Special Dividend" equals the amount by which ELD's retained earnings in any year exceed \$30.0 million.



Appendices

Appendix A1: Restrictions and Qualifications

1. The use of any projected or forecasted information (“Projections”) made in conjunction with this analyses (“Analyses”) may not be appropriate for use outside of its intended purpose. The Projections, if made, will not reflect actual development, economic, demographic and / or financial / fiscal results, and may reflect a possible scenario for the use, utilization and / or development of ELD’s various development greenfield residential development lands in Edmonton, Alberta, namely Schonsee, Aster and Goodridge Corners (the “Properties”), given PwC’s judgment as to a potential set of economic conditions, together with the hypotheses which are consistent with the purpose of the Projections. The inclusion of scenarios produced in conjunction with our analysis may contain hypotheses and assumptions which are based on a set of economic conditions or anticipated courses of action that may not be unreasonable, are consistent with the purpose of the Projections, but which will not materialize as set out therein. The hypotheses represent plausible circumstances, but need not be, and may not have been fully supported.

Since future events are not subject to precise projections, some assumptions will not materialize in the exact form presented by our analysis. In addition, other unanticipated events and circumstances may occur which could influence the future use, utilization and / or operations of the Properties. Therefore, actual use, utilization, and operating results of the Properties will vary from the analysis of prospective market and economic conditions set out therein. While there is no recourse to predicting these matters with certainty apart from informed and reasoned judgments, it must be stated that future events will lead to variations which may materially alter the actual results. PwC does not warrant that actual results achieved from the continued operation of the Properties will be the same, in whole or in part, as those shown in any Projections.

The Projections are based on hypotheses and there is a significant risk that actual results will vary, perhaps materially, from the results projected.

2. Responsible ownership and competent development and property management are assumed.
3. Information furnished by others upon which all or portions of these Analyses are based, including, among others, the City of Edmonton, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
4. Our report and work product cannot be included, or referred to, in any prospectus, securities and exchange commission filing or other public investment or interest document.
5. The intended use of this report is as an analyses of disposition options for the Properties. This document does not purport to provide legal advise and it should not be interpreted as providing legal advise. The reader is encouraged to seek independent legal advice.
6. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization have been, or can readily be obtained, or renewed to support uses upon which this report is based.
7. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters including title or encumbrances.
8. Full compliance with all applicable federal, provincial and local zoning, use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.
9. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date of this report.

Appendix A1: Restrictions and Qualifications

10. Any financial structures contained or referred to within this report is predicated on the market conditions prevailing as of the date of this report.
11. Areas and dimensions of the Properties, and any planned or proposed development densities for the Properties were obtained from sources believed to be reliable. Maps or sketches, if included in this report, are only to assist the reader in visualizing the property / site and no responsibility is assumed for their accuracy. No independent surveys were conducted.
12. It is assumed that there are no hidden or unapparent conditions of the site, subsoil, or structures that affect future use and / or value. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
13. No soil analysis or geological studies were ordered or made in conjunction with this report, nor was an investigation made of any water, oil, gas, coal, or other subsurface mineral and use rights or conditions.
14. Neither PwC nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, to provide testimony or appear in court or other legal proceedings, unless specific arrangements thereof have been made.

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Recommended themes for an updated Policy C511 - Executive Summary

City of Edmonton

October 2, 2019



The better the question. The better the answer.
The better the world works.

Recommended themes for an updated Policy C511

Objective and methodology

Objective

- ▶ Ernst & Young LLP (“EY”) was engaged by the City of Edmonton (the “City”) to prepare a report recommending potential themes for an updated Policy C511 (Land Development Policy) to reflect the current state of City Council priorities and the economic reality of land development within the City over the short and long term.
- ▶ *The focus of our analysis is around potential themes for an updated policy that would be applicable to the existing land inventory held by ELD. Our work does not consider other City land holdings not currently held by ELD.*

Methodology

- ▶ Our methodology included:
 - ▶ **Phase 1: Research**
 - ▶ Reviewing the City’s current goals, policies and priorities to identify any relevant themes for ELD’s operations.
 - ▶ Completing a review of relevant public sector development groups (both internal and arm’s length corporations) from across the Country to identify areas of best practices that could be leveraged in Edmonton.
 - ▶ Interviewing a diverse mix of private sector participants in the Edmonton real estate market to collect their insights on how ELD could operate in the future.
 - ▶ Completed a high level review of the industrial and residential land development markets to understand how ELD’s projects were positioned relative to the market.
 - ▶ **Phase 2: Development and refinement of recommendations**
 - ▶ Developed initial recommendations on potential policy themes for the new Policy C511 by leveraging insights from ELD staff, private sector interview participants.
 - ▶ Presented initial recommendations to the Real Estate Advisory Committee (“REAC”) and solicited feedback from private sector participants and internal stakeholders.
 - ▶ Drafted revised policy theme recommendations after considering all feedback.

Recommended themes for an updated Policy C511

Things to consider

- ▶ We have grouped the recommended policy themes into the following buckets:
 - ▶ Mandate
 - ▶ Governance
 - ▶ Climate resilience
 - ▶ General development
 - ▶ Residential development, including affordable housing
 - ▶ Industrial development
- ▶ Under each bucket we have provided
 - ▶ Background on the relevant parts of the current policy
 - ▶ Rationale for change
 - ▶ Potential future policy themes
 - ▶ Potential changes to administrative procedure to support policy
- ▶ Some of the recommendations we have heard and believe to be valuable will not actually form part of the policy but instead may be part of a future administrative procedure. For clarity, the policy is what ELD should do and the administrative procedure should outline how ELD achieves the policy.

Mandate

Current policy

- ▶ *Administration will maintain an inventory of residential and industrial development land sufficient to enable the City to maintain existing revenues from its development activities over a ten-year Forecast period (the Long Range Financial Plan).*
- ▶ *The Land Enterprise will be operated as a self-sustaining Enterprise.*
- ▶ *Land development activities carried out by Administration (acquisition, servicing, marketing, and disposal) will be based primarily upon financial return on investment.*
- ▶ *Strategic advantages to the City will be considered when acquiring and servicing land (i.e. optimizing use of existing infrastructure, facilitating Corporate initiatives, aiding orderly development, completing neighbourhoods, securing land for long term potential civic need, and adding value to existing City land holdings).*

Rationale for change

- ▶ Lack of general clarity in current policy has created some confusion as to ELD's actual mandate.
- ▶ Future state needs to consider more than just financial objectives and incorporate support for ConnectEdmonton.
- ▶ Increased clarity is needed regarding the need for ELD to be financially self sustaining.

Potential future policy themes

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
 - ▶ Financial related
 - ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
 - ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
 - ▶ Non-Financial related
 - ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.

Governance

Current policy

- ▶ *Outcomes of the Land Development Policy will be reported annually through the budget process.*

Rationale for change

- ▶ Historically there had been insufficient transparency. ELD's financials were reported alongside the surplus land sales and there was limited public information. The transparency has improved recently but needs to be formalized in the policy.
- ▶ Ensuring that the right level of transparency and reporting exists, should help to mitigate risks, allow for public scrutiny and support ELD's future success.
- ▶ Need to consider the fact that the policy will likely need to change in the future to adjust to civic priorities.

Potential future policy themes

- ▶ ELD to operate in a transparent manner.
 - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
 - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.

Potential changes to administrative procedure to support policy

- ▶ ELD to work with REAC to determine industry accepted performance metrics
- ▶ ELD should be required to report internally.
 - ▶ ELD to generate annual business plan detailing strategy for approval by senior leadership.
 - ▶ ELD will report up to branch leadership on a quarterly basis and this will include a status update on its projects.

Recommended themes for an updated Policy C511

Climate resilience

Current policy

- ▶ *No formal wording related to climate resilience or environmental sustainability exists.*

Rationale for change

- ▶ Climate resilience is one of Council's strategic priorities and ELD's activities to support this and other city-wide environmental strategies needs to be formalized.
- ▶ Policy needs to have sufficient flexibility given constant evolution in environmental standards and a need to make appropriate decisions on a project by project basis.
- ▶ Policy needs to ensure that requirements are also financially feasible.

Potential future policy themes

- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.

Potential changes to administrative procedure to support policy

- ▶ TBD, pending Council's direction on ELD's development of it's existing holdings.
- ▶ Annual reporting should include commentary on the strategy behind the sustainable features at each project.

Recommended themes for an updated Policy C511

General development

Current policy

- ▶ *Land development activities carried out by Administration (acquisition, servicing, marketing, and disposal) will be based primarily upon financial return on investment.*

Rationale for change

- ▶ Policy should be more explicit in terms of what ELD is permitted to do
- ▶ There should also be an additional requirement for a business case to be required prior to advancing to development to ensure that projects are financially feasible and how other City goals are being achieved but this more likely forms part of an administrative procedure.

Potential future policy themes

- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.

Potential changes to administrative procedure to support policy

- ▶ ELD to prepare business case for each potential development to be reviewed and approved by branch level leadership prior to moving to the development stage.

Recommended themes for an updated Policy C511

Residential development

Current policy

- ▶ *The primary target of residential lot development is intended for affordable housing (target market to reflect lot prices that are 10% or more below the average city of Edmonton lot prices as determined by CMHC statistics).*
- ▶ *The City's development of residential lots will not exceed 10% of the total single family residential lot development in the Edmonton region.*
- ▶ *A minimum of 50% of all Single Detached Residential Lots developed by the City be made available for sale to individuals and small builders.*

Rationale for change

- ▶ The requirement for lots to be intended for affordable housing and target of prices to be 10% or more below the average City of Edmonton lot price has caused confusion and is not considered an appropriate metric. The City cannot sell land at a discount to market value as per the Municipal Government Act. ELD should look to support affordable housing programs in a more meaningful way that is appropriate for the suburban locations.
- ▶ The quota for single family lot development is no longer considered appropriate given the current holdings and that there is no intent to acquire significant future greenfield residential holdings.
- ▶ The minimum 50% level of lots to be made available to individuals and small builders is not considered necessary within a Policy as ELD can still choose to sell to individuals and small builders. Removing this requirement will allow ELD to respond to market conditions if required.

Potential future policy themes

- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.

Potential changes to administrative procedure to support policy

- ▶ TBD, pending Council's direction on ELD's development of its existing holdings.

Recommended themes for an updated Policy C511

Industrial development

Current policy

- ▶ *The development of industrial land will be carried out in accordance with the objectives of the Industrial Land Strategy, and in particular on the basis of ensuring a three year supply of serviced industrial land.*

Rationale for change

- ▶ The current policy is hard to interpret in terms of what is meant by the “three year supply of serviced industrial land” and the City’s role versus the private sector’s role.
- ▶ The City’s share of the industrial market is small and is not considered to have any ability to control the overall supply of serviced industrial land.
- ▶ The City has repealed the Industrial Land Strategy and as such the policy is no longer relevant.
- ▶ Feedback from the private sector suggests that the City could add the most benefit by assisting with up front costs and infrastructure challenges.

Potential future policy themes

- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

Potential changes to administrative procedure to support policy

- ▶ TBD

Recommended themes for an updated Policy C511

Summary of recommended policy themes

Recommended policy themes

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
 - ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
 - ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
 - ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.
- ▶ ELD to operate in a transparent manner.
 - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
 - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.
- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.
- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.
- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.
- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

Recommended themes for an updated Policy C511

How policy themes support City's strategic goals

The recommended policy themes that are relevant to ConnectEdmonton, the City's strategic plan, are shown below:

Overall

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
- ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.

Healthy city

- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.

Urban places

- ▶ N/A due to suburban nature of ELD's current land holdings.

Regional prosperity

- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

Climate resilience

- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.

Recommended themes for an updated Policy C511

How policy themes support ELD to continue to generate benefits to the City

A number of the policy themes cannot be directly tied to Edmonton's strategic plan but do support the objective supporting ELD to continue to generate benefits to the City. These include:

- ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
- ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
- ▶ ELD to operate in a transparent manner.
 - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
 - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.
- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.
- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.

Recommended themes for an updated Policy C511

City of Edmonton

October 2, 2019



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The better the world works.

Objective

- ▶ Ernst & Young LLP (“EY”) was engaged by the City of Edmonton (the “City”) to prepare a report recommending potential themes for an updated Policy C511 (Land Development Policy) to reflect the current state of City Council priorities and the economic reality of land development within the City over the short and long term.
- ▶ *The focus of our analysis is around potential themes for an updated policy that would be applicable to the existing land inventory held by ELD. Our work does not consider other City land holdings not currently held by ELD.*

Methodology

- ▶ Our methodology included:
 - ▶ **Phase 1: Research**
 - ▶ Reviewing the City’s current goals, policies and priorities to identify any relevant themes for ELD’s operations.
 - ▶ Completing a review of relevant public sector development groups (both internal and arm’s length corporations) from across the Country to identify areas of best practices that could be leveraged in Edmonton.
 - ▶ Interviewing a diverse mix of private sector participants in the Edmonton real estate market to collect their insights on how ELD could operate in the future.
 - ▶ Completed a high level review of the industrial and residential land development markets to understand how ELD’s projects were positioned relative to the market.
 - ▶ **Phase 2: Development and refinement of recommendations**
 - ▶ Developed initial recommendations on potential policy themes for the new Policy C511 by leveraging insights from ELD staff, private sector interview participants.
 - ▶ Presented initial recommendations to the Real Estate Advisory Committee (“REAC”) and solicited feedback from private sector participants and internal stakeholders.
 - ▶ Drafted revised policy theme recommendations after considering all feedback.

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Section 1: Review of City's current goals, policies and priorities

Introduction

Introduction

- ▶ EY completed a detailed review of all existing strategic plans that were considered potentially relevant to our task of developing an updated Policy C511.
- ▶ In our review of each document, we identified any areas of focus that could potentially be supported through industrial and residential development activities.
- ▶ These were then summarized (included in Appendix A) and the most significant opportunities were then grouped under Councils 4 goals as detailed on the following page.

Documents reviewed

ConnectEdmonton - strategic plan 2019-2028

Corporate Business Plan 2019-2022

Guiding Values and City Building Outcomes

City Moves and Levers for Change

Energy Transition Strategy

Climate Resilient Edmonton

Mitigation and adaptation considerations for land development

Affordable Housing Strategy 2016-2025

Industrial Investment Action Plan

Section 1: Review of City's current goals, policies and priorities

Opportunities for ELD to support wider City initiatives

Based on our review of the City's current goals, policies and priorities, a number of opportunities were identified and have been grouped below under each of Council's four (4) strategic goals.

Healthy city

- ▶ Increase support for market affordable ownership developments by contributing land at a discount.
- ▶ Increase support for non-market affordable rental and supportive rental housing by contributing land at a discount.
- ▶ Consider including a metric for the minimum amount of affordable product at any City development.
- ▶ Providing land to individuals to build their own homes.

Urban places

- ▶ Encourage a diverse mix of housing types with high quality amenities at ELD's residential developments

Regional prosperity

- ▶ Support Edmonton's competitiveness and economic growth through the provision of industrial / commercial properties and strategic investments in infrastructure.
- ▶ Sales of lots to small builders supports builders' ability to grow.
- ▶ Generation of financial returns to lower the City's requirements for property tax increases.

Climate resilience

- ▶ Be a leader in sustainable development through the design of projects and inclusion of energy utilities or other green infrastructure.
- ▶ Increase minimum environmental standards for builders on City owned lands.

Importance of financial dividends generated from ELD

ELD's development activities assist in generating additional property taxes through their development and sale of serviced land parcels and also through the dividends provided to the City. The benefit of these activities is that it contributes to City general revenues and lowers the pressure to generate those funds from other sources. As the dividends go to general revenues, ELD's financial returns support all of the City's services.

Section 1: Review of City's current goals, policies and priorities

Triple bottom line analysis

To provide further context on the nature of the opportunity and the potential benefit that could be generated, we have classified which opportunities meet economic, environmental or social objectives.

	Economic	Environmental	Social
Healthy City			
Increase support for market affordable developments by contributing land at a discount.	✓		✓
Increase support for non-market affordable and supportive housing by contributing land at a discount.			✓
Consider including a metric for the minimum amount of affordable product at any City development.	✓		✓
Providing land to individuals to build their own homes.			✓
Urban Places			
Encourage a diverse mix of housing types with high quality amenities at ELD's residential developments.	✓	✓	✓
Regional Prosperity			
Support economic growth through the provision of industrial / commercial properties and strategic investments in infrastructure.	✓		
Sales of lots to small builders supports builders' ability to grow.	✓		
Generation of financial returns to lower the City's requirements for property tax increases.	✓		
Climate Resilience			
Be a leader in sustainable development through the design of projects and inclusion of energy utilities or other green infrastructure.	✓	✓	✓
Increase minimum environmental standards for builders on City owned lands.		✓	✓

Section 1: Review of City's current goals, policies and priorities

Potential challenges related to ELD's ability to support wider City initiatives

Potential challenges

There are a number of potential challenges related to ELD's ability to make a significant impact in supporting wider City initiatives. These include:

- ▶ Current softness in the housing market and economy could impact demand for land and the ability for ELD to generate financial dividends.
- ▶ The greenfield residential land holdings are not ideal for affordable housing developments given the City's priority for more supportive housing located in more central locations.
- ▶ ELD currently generates a financial dividend to the City. The question is; how to balance financial impacts against potential social or environmental benefits.
- ▶ Many of the City's goals are focused more on infill types of developments and there is uncertainty as to whether Enterprise Land Development's greenfield residential holdings can be developed in a way to be aligned with the city's new strategic goals.

Section 2: Review of relevant public sector development entities

Summary

Summary

EY completed an analysis of seven (7) public sector real estate entities across the country to identify any best practices that might be relevant to ELD.

- ▶ **Calgary Municipal Land Corporation (CMLC)** - arm's length municipal development corporation currently advancing the revitalization of the Rivers District which includes developing East Village.
- ▶ **Calgary Land Development and Sales** - provides the development and sale of industrial lands to optimize value and maximizing financial return on City-owned land. Service has broadened to also include transit-oriented development and strategic redevelopment.
- ▶ **Saskatoon Land** - One of largest self-financed municipal land development programs in Canada. Involved in residential, commercial and industrial land development.
- ▶ **City of Medicine Hat Land & Business Support (L&BS)** - a municipal department which role includes land development and sales of residential, commercial and industrial land to generate economic and public benefits.
- ▶ **CreateTO** - new city-wide model to centralize the delivery of its real estate services. Under this new model, Build Toronto and the Toronto Port Lands Company are now part of CreateTO, which works closely with the City of Toronto's Real Estate Services and Facilities Management divisions to apply a city-wide lens to ensure the most effective use of real estate assets.
 - ▶ **Build Toronto** - city corporation which develops underutilized City real estate assets to unlock their value, attract targeted industries, stimulate employment and regenerate neighbourhoods.
 - ▶ **Toronto Port Lands Company** - city corporation which manages real estate assets and promotes development in Toronto's Port Lands.
- ▶ **Surrey City Development Corporation (SCDC)** - arm's length municipal development corporation that supports Surrey's growth into a more modern, vibrant and complete community through its progressive real estate activities. Whether facilitating job creation and growing the commercial tax base through extensive industrial developments, cleaning up abandoned and contaminated land so that it can be repurposed as a vibrant new residential community or expanding Metro's second downtown in Surrey City Centre, SCDC has contributed in many meaningful and positive ways to Surrey's growth over these past ten years.
- ▶ **Canada Lands Company Limited** - arm's-length, self-financing federal Crown corporation. Works to ensure the innovative and commercially sound reintegration of former federal properties into local communities. The company's activities ensure that surplus government properties are redeveloped or managed in accordance with their optimal value, both financial and non-financial.

Themes identified

- ▶ **Mandate** - the specific mandates for each entity can be grouped under economic and non-economic buckets:
 - ▶ **Economic** - generating economic returns forms the basis of the mandate of most of the selected entities. It is felt that the long term sustainability of the entities would be challenged without sufficient ongoing revenues to support operations and generate some sort of dividend or benefit to the City. The entities typically focus on the profits generated but are now also looking at other benefits such as increased private investment and the associated increase in property taxes.
 - ▶ **Non-economic** - Generating financial returns still remains a top priority but groups are also now adopting policies to support city-building or environmental type objectives. These can be balanced within individual projects or in some cases the groups focus on financial returns from certain projects to then subsidize other projects that generate more non-financial benefits.
- ▶ **Governance** - There are varying types of governance and transparency across each group. In most cases though there is an increased acknowledgement of the requirement to provide the public with sufficient levels of detail on their operations. There has also been a trend towards more oversight given that some of these groups are now working on very large and complex projects.
 - ▶ **Oversight** - the arms-length entities such as CMLC, SCDC and CLC typically report up to Boards whereas the internally operated entities typically report up to internal committees.
 - ▶ **Reporting** - in most cases the historical level of reporting to the public was not overly detailed and there was a lack of transparency. There is now a focus on delivering more complete reporting related to the achievements of the previous year and a plan for the next 1-3 years. While reporting on the financials of the operation does form a main part of the reporting, there is also now a push towards reporting on a wide range of other metrics (financial and non-financial) that provide a more complete picture.
- ▶ **Performance metrics** - performance metrics that the entities look to achieve and also report on include:
 - ▶ Revenues and profitability
 - ▶ Financial returns to parent entity
 - ▶ Private investment spurred on by land sales
 - ▶ Increase in residential and non-residential property tax base
 - ▶ Permanent job creation
 - ▶ Dollars spent on community and environmental attributes
 - ▶ Affordable housing units created

Themes identified

- ▶ **Development activities** - trend towards more complex projects that are supportive of the municipalities strategic plans. This may include, infill, transit oriented and mixed use developments. Focus is typically at the land development level and participation in vertical construction is rare.
- ▶ **Market share** - ranges from nominal to 100% of market share in any given market but in most cases the market share is quite low. In most cases, entities continue with the status quo and do not look to increase the market share achieved as increasing their market share can be politically challenging.
- ▶ **Private sector** - focus on maintaining strong relationships with the private sector. The involvement with the private sector can range from working together as adjacent landowners to partnering on actual development projects. There tends to always be some level of tension with the private sector given the optics of the public vs private competition but ideally the entity can be seen as being a net benefit to the market by helping advance projects that the private sector may be challenged to complete themselves.
- ▶ **Affordable housing** - affordable housing is a complex challenge and in most cases the entities are focused only on land development so have a limited capacity to solve major housing challenges. Those that have supported affordable housing initiatives have done so through the provision of land by pre designating land for rental, affordable and entry level projects, contributing land at a discount and providing financial dividends directly to affordable housing programs.
- ▶ **Sustainability** - improving the sustainability of projects can be completed in a number of different ways. Certain groups focus on infill urban mixed use projects that by nature are considered more sustainable than the traditional low density greenfield developments. Other groups have looked to include sustainable features within their developments which can include designing complete communities, promoting active transportation, creation of large green spaces and building orientation to maximize solar energy potential. It is helpful if the City has a strategic plan related to sustainability that can be used to guide project level decisions.
- ▶ **Economic development** - supporting economic development is a key part of the mandate for most of the entities. In general, any profits that they generate that are used to pay for infrastructure or are provided as dividends should logically help to lower the tax burden for everyone else. Some entities are even more strategic and are selective of who purchases the land as a way to ensure the maximum potential benefit. In one case study, the entity was able to offer land via a land lease with the option to purchase at a later date.

See Appendix B for detailed supporting notes

Section 3: Private industry market sounding

Section 3: Private industry market sounding

Participants

- ▶ EY conducted interviews with key external stakeholders to solicit constructive feedback that will be used to inform recommendations on potential themes for an updated Policy C511.
- ▶ In advance of the individual interviews, EY developed an information brief for stakeholders which included a summary of the City's strategic plans, the current Policy and a list discussion questions which were used to structure the conversations in the individual interviews.
- ▶ EY met with a total of fourteen (14) external stakeholders that represented a broad range of interests in the real estate market. The full list of participants is included below.
- ▶ The following pages include summaries of what we heard from these participants.

External Stakeholder	Organization Representative	Company	REAC Member
Andrew Usenik	UDI	Strata Developments	Yes
Arman Pandher		ART Custom Homes	No
Brad Hoffman	NAIOP	Panattoni Development Company	Yes
Chris Nicholas	UDI	MLC Developments	Yes
Clay Hamdon	CHBA Edmonton	Cove Properties	Yes
Gagandeep Singh Mander		Golden Homes	No
Gord White		Integrated Management	Yes
Jenifer Christenson	Built Green	Built Green	No
Ken Cantor		PRIMAVERA Development Group	Yes
Laurie Scott		Cameron Communities	Yes
Martin Garber-Conrad	Edmonton CDC	Edmonton Community Foundation	Yes
Percy Woods	BOMA	BOMA	Alternate REAC
Sandra Schrempp	CHBA Edmonton	Maclab Development Group	No
Sidney Waskiewich	BOMA	Qualico Commercial	Yes

Section 3: Private industry market sounding

General question key themes

- ▶ **Question 1: Should the Policy continue to be primarily based on generating financial returns to the City? If not, then what should it be based on?**
 - ▶ Most respondents indicated that it would make sense to consider other objectives.
 - ▶ Most respondents did not have a problem with the Policy being based in part on generating financial returns.
 - ▶ There was some commentary on whether or not Enterprise Land Development (“ELD”) has historically met the objective of achieving the financial returns and a need to ensure that this is more accurately reported in the future.
 - ▶ It was suggested financial returns be better defined.
- ▶ **Question 2: How can ELD better leverage it's strengths to work in tandem with the private sector? / What do you see the mandate of ELD to be?**
 - ▶ Focus was mostly on the ability to open up new areas for development through infrastructure investment at key sites.
 - ▶ Some respondents indicated that they believed that ELD can leverage “cheap debt” to support projects.
 - ▶ *Note: This assumption is not correct as ELD does not borrow to fund projects and only uses ELD's retained earnings to fund projects. Also it is not likely that the Finance Department or City Council would approve a change to allow to borrow.*

Section 3: Private industry market sounding

Industrial land development key themes

- ▶ **Question 3: If the ELD continues in industrial lot development, what should it focus on?**
 - ▶ Many respondents indicated that ELD should focus on developing areas that could help spur on or unlock private sector land holdings.
- ▶ **Question 4: How can the ELD add value or compliment the private sector?**
 - ▶ No specific areas were identified.
 - ▶ General feeling was that the Edmonton industrial market is well served by a number of qualified industrial developers.
- ▶ **Question 5: Should there be a hard cap on the market share that the ELD could take? If so, what do you think that hard cap should be?**
 - ▶ General feedback was that the hard cap wasn't a major issue.
 - ▶ Uncertainty as to whether the ELD could achieve the cap given the low levels of development in recent years.
- ▶ **Question 6: What are the primary infrastructure related challenges for new development that ELD could assist with?**
 - ▶ General commentary that infrastructure related challenges were not general but could be specific to certain areas and ELD could help open up development to an area.
- ▶ **Question 7: How can ELD's industrial land development activities support the City's strategic objectives around:**
 - ▶ **Increasing the sustainability and energy efficiency of new development?**
 - ▶ Concern about the applicability of green standards to industrial buildings. While some larger owners or occupiers mandate the green features this is not very common especially compared to office buildings.
 - ▶ Potential constraints on site coverage would be challenging.
 - ▶ Requirements for roads with curbs and gutters were noted to be incompatible with the industrial use and perhaps not as green as open ditches.
 - ▶ **Supporting Edmonton's economic competitiveness and economic growth?**
 - ▶ Consistent theme around the challenges with the property tax rate in the City relative to the outlying areas. Thought was that any improvement to this would have a much greater impact than anything that ELD could do to support economic growth.

Section 3: Private industry market sounding

Residential land development key themes

- ▶ **Question 8: If ELD continues in residential lot development, what should it focus on?**
 - ▶ Land developers generally thought that ELD should be involved at the entitlement stage but should sell off the land prior to completing the onsite servicing.
 - ▶ Individual small builders interviewed were much more positive on the activities of ELD and indicated that the residential land holdings provided them with an ability to secure lots for building.
 - ▶ Land developers suggested ELD to pivot to focus more on the City Building projects like Blatchford, Exhibition Lands and River Crossing.
- ▶ **Question 9: How can ELD add value or compliment the private sector?**
 - ▶ No specific areas were identified.
 - ▶ Commentary that the market is already well supplied.
- ▶ **Question 10: Should there be a hard cap on the market share that ELD could take? If so, what do you think that hard cap should be?**
 - ▶ No specific concerns other than a preference for ELD not to increase its market share.
 - ▶ There was a discussion around the size of ELD's existing land holdings which are quite large, relative to the actual number of lots that are released in a given year.
- ▶ **Question 11: What are the primary infrastructure related challenges for new development that ELD could assist with?**
 - ▶ General commentary that infrastructure related challenges were not general but could be specific to certain areas and ELD could help open up development to an area.
- ▶ **Question 12: What % of single family building lots should be offered for individuals and small builders?**
 - ▶ Land developers indicated that there was no need for building lots to be offered to individuals and small builders.
 - ▶ Builders interviewed felt that the status quo of 50% to land developers and 50% to individuals and small builders was fine.
 - ▶ There was commentary from a number of groups that were concerned with the potential quality issues around self builds and how the City should ensure that each lot has a qualified builder attached to it and that there were more checks throughout the build.

Section 3: Private industry market sounding

Residential land development key themes (continued)

- ▶ **Question 13: How can the ELD's residential land development activities support the City's strategic objectives around:**
 - ▶ **Increasing supply of affordable housing**
 - ▶ There was consensus that the City should be supporting affordable housing. ELD can play a leadership role.
 - ▶ There was commentary how ELD could provide land to groups like Habitat for Humanity.
 - ▶ **Increasing the diversity of the housing stock**
 - ▶ It was noted that ELD's developments have typically been focused on detached housing styles and there could be alternative housing styles also planned for.
 - ▶ **Increasing the sustainability and energy efficiency of new development**
 - ▶ Land developers generally thought that the development at ELD projects was not as green as their projects. No specific examples were provided but it was indicated that the scale of other developers and builders in the market did allow them to gain more expertise in which sustainable features are the most marketable.
 - ▶ Builders interviewed commented that the discount on the lot prices was needed to help address the higher costs associated with BuiltGreen.
 - ▶ *Note: the assumption that ELD sells lots at a discount is incorrect as all lots are sold at market value and ELD does not discount pricing to address higher costs associated with BuiltGreen.*
 - ▶ General consensus from stakeholders was that most home purchasers are not willing to pay the premium price for environmental features and that currently only a small number of buyers are willing to pay a material premium for these features.

Section 3: Private industry market sounding

Other general commentary from participants

Additional comments

- ▶ There were questions on the historical financial performance of ELD and whether the projects were actually profitable once you considered the holding costs and time to develop. Some commented that ELD would earn a higher financial return by just entitling and selling. Also commentary on the need to consider the property taxes that could be generated and negative impact of delaying those taxes.
- ▶ Suggestion that at times ELD does not act like a developer in terms of decisions regarding timing of development and their lack of action can negatively impact adjacent land owners.
- ▶ Noted challenges for ELD to work within the capital budgeting process while at the same time being able to be reactive in the market.
- ▶ Everyone was complementary of the progress REAC has made and of the current team at ELD.
- ▶ Discussion of the challenges at the City having different groups responsible for the different City Building projects and thoughts on how ELD could take on more of these projects and be the one stop location.
- ▶ General consensus that ELD be as transparent as possible in terms of the land development activities.

Section 4: Industrial market study

Section 4: Industrial market study

Market summary

Summary

- ▶ The Greater Edmonton industrial market is contained within approximately 39,000 acres of land of which 71% is urban in nature and 29% is rural (Source: Investment Competitiveness Study).
- ▶ The built form includes approximately 140 million square feet of area with just over 80% of the total inventory being located within City limits.
- ▶ Annual building permit activity on industrial lands within the City has averaged approximately 2.5 million square feet per year from 2006 to 2018 (Source: City Plan - Economic, Development and Market Study).
- ▶ The largest user groups in terms of employment are understood to be in construction, manufacturing, wholesale and retail trade.

Description of sub-markets

- ▶ The City of Edmonton industrial market is separated into four submarkets (Central, Northeast, Northwest and Southside) with the combined Northwest and Southside areas making up the vast majority of the space within the City. The sub-markets located outside of the city limits include the Acheson and Nisku-Leduc areas. Nisku-Leduc is strategically located in proximity to the Edmonton International airport and benefits from lower property tax rates relative to areas within the City.

Edmonton industrial market statistics - Q2 2019

	Central	Northeast	Northwest	Southside	Total City	Nisku-Leduc	Acheson	Greater Edmonton
Total Inventory (SF)	7,354,460	2,396,987	53,238,981	50,819,579	113,810,007	17,094,843	7,586,450	138,491,300
Vacancy Rate (%)	2.2	5.5	6.5	5.5	6.0	5.0	1.6	5.4
YTD Net Absorption (SF)	-33,377	-20,025	450,989	-176,899	220,688	94,518	-16,905	298,301
Average Net Asking Lease Rate (\$/sf)	10.22	9.97	9.97	9.54	9.79	11.92	13.24	10.22
Operating Cost (\$/sf)	4.20	4.96	4.69	5.08	4.84	3.44	4.82	4.69
Average Land Cost (\$/acre)	510,000	575,000	785,000	825,000	N/A	545,000	450,000	615,000

Source: CBRE Q2 2019 Market Report

Section 4: Industrial market study

Market summary

Overview of the typical form of development in market

- ▶ Industrial development in Edmonton remains more traditional in nature (single level greenfield).
- ▶ Notable new developments in the market include distribution facilities, warehouses, cannabis production facilities and food production facilities.
- ▶ The City of Edmonton's share of regional industrial development square footage totalled approximately 38% from 2011 to 2017 (Source: Investment Competitiveness Study).

Historical annual absorption rates

- ▶ CBRE reported that there was just under 300,000 sf of positive net absorption in Greater Edmonton by mid year 2019. This was mostly driven by the 500,000 sf MTE Logistix building completion in Northwest Edmonton.
- ▶ Industrial land development in recent years has averaged approximately 475 acres annually of which just under 40% was accommodated within City limits (Source: Investment Competitiveness Study).

Vacancy rates

- ▶ Vacancy rates have been increasing since 2015 and are currently just below 6%. This is notable given that between 2018 and 2014, rates were always below 3%.
- ▶ In the current market it is felt that there is some excess capacity of space available which has impacted the demand for new supply.

Land values

- ▶ Limited transaction activity recently but land values have remained stable. Land values average \$615,000 per acre across Greater Edmonton but are typically higher within the City (\$785,000 - \$825,000 in Northwest and Southside) and relatively more affordable in Nisku-Leduc (\$545,000) and Acheson (\$450,000).

Section 4: Industrial market study

ELD developments relative to the market

Summary

- ▶ ELD's industrial activities relate only to the sale of raw land and sale of serviced and subdivided land and they do not participate in any vertical construction of spec or build to suit style projects.

Market share

- ▶ It is estimated that there are 11,512 net acres of vacant industrial land within the City but that only 1,013 net acres are considered shovel-ready.
- ▶ ELD's industrial land holdings represents less than 4% of the total vacant industrial land in the City.

Key differences to private sector

- ▶ ELD requires buyers to commence construction within two years and complete the construction within 4 years. City also requires purchasers to obtain Built Green Silver certification or LEED equivalent.
- ▶ There are no other major differences in terms of the City's land development activities other than the fact that the City cannot build spec or build to suit projects.

ELD industrial land holdings

Property	Area	Size (acres)	Comments
Ellerslie N	Southside	90	Medium term hold - 2023-2026 timing for development
Ellerslie S	Southside	30	Medium term hold - 2023-2026 timing for development
Gateway	Southside	5	Short term sale - Subject to a pending confidential sale
Goodridge	Northwest	53	Under development - phased development currently underway
Pylypow	Southside	20	Medium term hold - 2023-2026 timing for development
Rampart	Northwest	211	Under development - phased development currently underway
Roper	Southside	7.6	Short term sale - to be listed in 2019
Southeast	Southside	28	Short term hold - Sale of 14 lot subdivision planned for 2022
Total		445	

Section 4: Industrial market study

Demand analysis

Summary of drivers of demand

- ▶ The largest drivers of demand for industrial land typically come from the energy sector, logistics and distribution and more recently cannabis.

Expected annual demand

- ▶ The City is forecast to absorb an average of 184 net acres per year from 2018 to 2028 but in the short term (2018-2023) annual absorption is expected to be only 108 net acres annually (Source: Investment Competitiveness Study).
- ▶ The City's land development activities have traditionally achieved a very small part of the overall market and this is expected to be consistent moving forward.

Expected future trends and opportunities

- ▶ Industrial development within city limits is challenged by the higher land costs, higher property taxes, shortage of suitable land, higher design and servicing standards and slower application approvals. This has resulted in an increased share of total development activity to occur outside of city limits. This trend is expected to continue especially for the larger user groups that do not strategically have to be located in the City.
- ▶ Moving forward there is expected to be an opportunity to reinvest in the existing older industrial in the city as the existing buildings become outdated and can no longer meet current market needs.

Section 5: Residential market study

Section 5: Residential market study

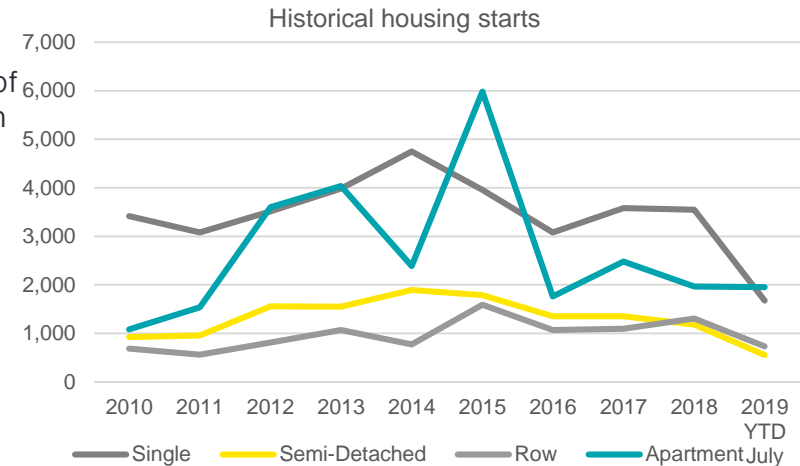
Market summary

Summary

- ▶ Edmonton has traditionally had a robust residential development market but the current market is considered weak due to a level of oversupply, the current state of the economy and challenges with the new mortgage rules.
- ▶ The City's Municipal Development plan has a goal of 25% of new units being developed in the Core and Mature areas. Historically this has not been achieved as development in mature areas is more likely to make up only 15 - 20% of net unit gains.

Historical annual starts by type

- ▶ Housing starts over the past decade have averaged 8,805 units per year with single family starts representing 41% of total starts (approximately 3,700 units per year).



Pricing and rental rates

- ▶ Pricing is considered to be relatively affordable based on incomes and comparisons to other major cities across Canada.
- ▶ The median price for newly absorbed single detached homes in July was \$505,000 which is materially lower than the \$535,000 level reached in 2015.
- ▶ Median rents for apartments built 2000 and later were recorded at \$1,249 for a one bedroom plan. Rental rates had increased significantly over the past decade before dropping in 2016 and 2017 and then rebounding in 2018.

Vacancy rates / unsold inventory

- ▶ There are 900 units of unabsorbed new single-detached homes available for sale in the City and 1,215 in Greater Edmonton. The level of unsold inventory is considered high from a historical perspective.
- ▶ Vacancy rates for apartments were estimated at 5.3% in October 2018 which represented a decline from the two years previous.

Land values

- ▶ Prices for greenfield small/medium detached home lots often range from \$150,000 to \$200,000 and typically make up 1/3 of the total finished new home price.

Section 5: Residential market study

ELD developments relative to the market

Summary

- ▶ ELD has one active development, Laurel Green, where they have been selling serviced building lots priced in the \$140,000 to \$200,000 range.

Market share

- ▶ The City has released approximately 75 building lots per year in Laurel Green which represents approximately 2% of the total market based on the 3,700 unit per year single family housing start metric.

Positioning

- ▶ ELD's Laurel Green development is positioned as being a "green community" that features sustainable design and sensitive building practices.

Key differences

- ▶ The sustainability features mandated at Laurel Green include ensuring homes are solar ready for future installations and obtaining a third party sustainability certification after construction is complete. The City does offer a Green Building Grant to offset some costs but this is available to any new construction and not just homes built on City owned lots.
- ▶ ELD does not build any houses and does not offer any sort of "builder program" financing package that are typically included by other land developers.

ELD residential land holdings

Property	Area	Size (acres)
Aster	SE	53
Goodridge	NW	409
Hollick Kenyon	NE	1
Laurel	SE	53
Schonsee	NW	33
Total		527

Section 5: Residential market study

Demand analysis

Summary of drivers of demand

- ▶ Demand for housing will be driven by a combination of population growth and economic growth.

Expected annual demand

- ▶ The most current forecasts suggest that over the next 10 years:
 - ▶ Population will increase by an average of 1.9% per year or 20,200 people per year.
 - ▶ Total households will increase by an average of 2.0% per year or 8,200 per year.
- ▶ The total demand will be split between infill and greenfield developments. While greenfield developments have historically captured more than 80% of the total demand, the City is actively working to encourage infill developments which could reduce the demand for the greenfield style developments.

Expected future trends and opportunities

- ▶ There will be a trend towards more infill and transit oriented development projects due to City policies and also changing consumer preferences. This is already evidenced in the number of large scale projects in planning.
- ▶ The amount of “green” features in homes will continue to increase but there may be a disconnect between potential City requirements and what consumers will pay for.
- ▶ For greenfield developments there will likely be a gradual shift from traditional single detached to concepts with suites and or other ground oriented attached styles. This may be driven by potential affordability challenges but is also likely to be caused by requirements to make more efficient use of land.

Section 6: Recommended themes for an updated Policy C511

Section 6: Recommended themes for an updated Policy C511

Things to consider

- ▶ We have grouped the recommended policy themes into the following buckets:
 - ▶ Mandate
 - ▶ Governance
 - ▶ Climate resilience
 - ▶ General development
 - ▶ Residential development, including affordable housing
 - ▶ Industrial development
- ▶ Under each bucket we have provided
 - ▶ Background on the relevant parts of the current policy
 - ▶ Rationale for change
 - ▶ Potential future policy themes
 - ▶ Potential changes to administrative procedure to support policy
- ▶ Some of the recommendations we have heard and believe to be valuable will not actually form part of the policy but instead may be part of a future administrative procedure. For clarity, the policy is what ELD should do and the administrative procedure should outline how ELD achieves the policy.

Mandate

Current policy

- ▶ *Administration will maintain an inventory of residential and industrial development land sufficient to enable the City to maintain existing revenues from its development activities over a ten-year Forecast period (the Long Range Financial Plan).*
- ▶ *The Land Enterprise will be operated as a self-sustaining Enterprise.*
- ▶ *Land development activities carried out by Administration (acquisition, servicing, marketing, and disposal) will be based primarily upon financial return on investment.*
- ▶ *Strategic advantages to the City will be considered when acquiring and servicing land (i.e. optimizing use of existing infrastructure, facilitating Corporate initiatives, aiding orderly development, completing neighbourhoods, securing land for long term potential civic need, and adding value to existing City land holdings).*

Rationale for change

- ▶ Lack of general clarity in current policy has created some confusion as to ELD's actual mandate.
- ▶ Future state needs to consider more than just financial objectives and incorporate support for ConnectEdmonton.
- ▶ Increased clarity is needed regarding the need for ELD to be financially self sustaining.

Potential future policy themes

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
 - ▶ Financial related
 - ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
 - ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
 - ▶ Non-Financial related
 - ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.

Governance

Current policy

- ▶ *Outcomes of the Land Development Policy will be reported annually through the budget process.*

Rationale for change

- ▶ Historically there had been insufficient transparency. ELD's financials were reported alongside the surplus land sales and there was limited public information. The transparency has improved recently but needs to be formalized in the policy.
- ▶ Ensuring that the right level of transparency and reporting exists, should help to mitigate risks, allow for public scrutiny and support ELD's future success.
- ▶ Need to consider the fact that the policy will likely need to change in the future to adjust to civic priorities.

Potential future policy themes

- ▶ ELD to operate in a transparent manner.
 - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
 - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.

Potential changes to administrative procedure to support policy

- ▶ ELD to work with REAC to determine industry accepted performance metrics
- ▶ ELD should be required to report internally.
 - ▶ ELD to generate annual business plan detailing strategy for approval by senior leadership.
 - ▶ ELD will report up to branch leadership on a quarterly basis and this will include a status update on its projects.

Section 6: Recommended themes for an updated Policy C511

Climate resilience

Current policy

- ▶ *No formal wording related to climate resilience or environmental sustainability exists.*

Rationale for change

- ▶ Climate resilience is one of Council's strategic priorities and ELD's activities to support this and other city-wide environmental strategies needs to be formalized.
- ▶ Policy needs to have sufficient flexibility given constant evolution in environmental standards and a need to make appropriate decisions on a project by project basis.
- ▶ Policy needs to ensure that requirements are also financially feasible.

Potential future policy themes

- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.

Potential changes to administrative procedure to support policy

- ▶ TBD, pending Council's direction on ELD's development of it's existing holdings.
- ▶ Annual reporting should include commentary on the strategy behind the sustainable features at each project.

Section 6: Recommended themes for an updated Policy C511

General development

Current policy

- ▶ *Land development activities carried out by Administration (acquisition, servicing, marketing, and disposal) will be based primarily upon financial return on investment.*

Rationale for change

- ▶ Policy should be more explicit in terms of what ELD is permitted to do
- ▶ There should also be an additional requirement for a business case to be required prior to advancing to development to ensure that projects are financially feasible and how other City goals are being achieved but this more likely forms part of an administrative procedure.

Potential future policy themes

- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.

Potential changes to administrative procedure to support policy

- ▶ ELD to prepare business case for each potential development to be reviewed and approved by branch level leadership prior to moving to the development stage.

Residential development

Current policy

- ▶ *The primary target of residential lot development is intended for affordable housing (target market to reflect lot prices that are 10% or more below the average city of Edmonton lot prices as determined by CMHC statistics).*
- ▶ *The City's development of residential lots will not exceed 10% of the total single family residential lot development in the Edmonton region.*
- ▶ *A minimum of 50% of all Single Detached Residential Lots developed by the City be made available for sale to individuals and small builders.*

Rationale for change

- ▶ The requirement for lots to be intended for affordable housing and target of prices to be 10% or more below the average City of Edmonton lot price has caused confusion and is not considered an appropriate metric. The City cannot sell land at a discount to market value as per the Municipal Government Act. ELD should look to support affordable housing programs in a more meaningful way that is appropriate for the suburban locations.
- ▶ The quota for single family lot development is no longer considered appropriate given the current holdings and that there is no intent to acquire significant future greenfield residential holdings.
- ▶ The minimum 50% level of lots to be made available to individuals and small builders is not considered necessary within a Policy as ELD can still choose to sell to individuals and small builders. Removing this requirement will allow ELD to respond to market conditions if required.

Potential future policy themes

- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.

Potential changes to administrative procedure to support policy

- ▶ TBD, pending Council's direction on ELD's development of its existing holdings.

Industrial development

Current policy

- ▶ *The development of industrial land will be carried out in accordance with the objectives of the Industrial Land Strategy, and in particular on the basis of ensuring a three year supply of serviced industrial land.*

Rationale for change

- ▶ The current policy is hard to interpret in terms of what is meant by the “three year supply of serviced industrial land” and the City’s role versus the private sector’s role.
- ▶ The City’s share of the industrial market is small and is not considered to have any ability to control the overall supply of serviced industrial land.
- ▶ The City has repealed the Industrial Land Strategy and as such the policy is no longer relevant.
- ▶ Feedback from the private sector suggests that the City could add the most benefit by assisting with up front costs and infrastructure challenges.

Potential future policy themes

- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

Potential changes to administrative procedure to support policy

- ▶ TBD

Section 7: Strategic recommendations

Section 7: Strategic recommendations

Summary of recommended policy themes

Recommended policy themes

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
 - ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
 - ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
 - ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.
- ▶ ELD to operate in a transparent manner.
 - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
 - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.
- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.
- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.
- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.
- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

Section 7: Strategic recommendations

How policy themes support City's strategic goals

The recommended policy themes that are relevant to ConnectEdmonton, the City's strategic plan, are shown below:

Overall

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
- ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.

Healthy city

- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.

Urban places

- ▶ N/A due to suburban nature of ELD's current land holdings.

Regional prosperity

- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

Climate resilience

- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.

Section 7: Strategic recommendations

How policy themes support ELD to continue to generate benefits to the City

A number of the policy themes cannot be directly tied to Edmonton's strategic plan but do support the objective supporting ELD to continue to generate benefits to the City. These include:

- ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
- ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
- ▶ ELD to operate in a transparent manner.
 - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
 - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.
- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.
- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.

Appendix A: City's current goals, policies and priorities

Appendix A: City's current goals, policies and priorities

ConnectEdmonton

Summary - ConnectEdmonton is the City's strategic plan for 2019-2028. It sets the direction for Edmonton's future and outlines where the City needs to change today to realize the vision in 2050.

Guiding principle - We create as a community to connect people to what matters to them. We care about the impact of our actions on our social, economic, cultural, spiritual and environmental systems. We serve those here today and those who come after us.

Strategic goals - Total of four (4) strategic goals, of which all are considered relevant to ELD.

- ▶ **Healthy City** - Edmonton is a neighbourly city with community and personal wellness that embodies and promotes equity for all Edmontonians.
- ▶ **Urban Places** - Edmonton neighbourhoods are more vibrant as density increases, where people and businesses thrive and where housing and mobility options are plentiful.
 - ▶ Relevant indicators
 - ▶ Housing diversity
 - ▶ Access to amenities
- ▶ **Regional Prosperity** - Edmonton grows prosperity for our Metro Region by driving innovation, competitiveness and relevance for our businesses at the local and global level.
- ▶ **Climate Resilience** - Edmonton is a city transitioning to a low carbon future, has clean air and water and is adapting to a changing climate.
 - ▶ Relevant indicators
 - ▶ Energy use
 - ▶ Renewable electricity generation

Key Findings

The key takeaways from ConnectEdmonton that are relevant to ELD is the goal to have healthy communities, diverse housing types, amenities in proximity to residents, a competitive business sector and sustainable development.

While certain goals such as "Urban Places" is focused more towards urban / infill areas, the development of the residential lands owned by ELD could target some of the desired urban attributes such as housing diversity and onsite amenities.

Appendix A: City's current goals, policies and priorities

Corporate business plan 2019-2022

Summary - The Corporate Business Plan is the City of Edmonton's roadmap. It outlines the City's services, projects and actions for Edmontonians in 2019-2022 aligned with the City of Edmonton's Corporate Promise.

Enterprise Land Development's role within the City

- ▶ ELD falls within the Real Estate branch of the Financial and Corporate Services department
- ▶ The Real Estate branch is responsible for providing a strategic and integrated city-wide lens to govern real estate based primarily upon financial sustainability. The branch also advances economic development strategies to support Council's vision for a vibrant and inclusive city that attracts investment and provides a high quality of life, thus ensuring ongoing sustainability and success.

Land Development as a public program

- ▶ Service Objective
 - ▶ Edmonton is developed to support growth and social, cultural, economic and environmental well-being.

Project and Asset Management as a supporting program

- ▶ What it Achieves
 - ▶ The City of Edmonton's projects are well managed and assets are maintained for accountable service delivery.

Key Findings

ELD plays an active role in supporting the financial sustainability of the City of Edmonton through the profits that are generated through land development and the increased property tax base that is created through ELD's development activities.

The benefit of these activities is that it contributes to City general revenues and lowers the pressure to generate those funds from other sources.

Appendix A: City's current goals, policies and priorities

Corporate business plan 2019-2022

Summary - The Corporate Business Plan includes actions to achieve the strategic goals from ConnectEdmonton. These include:

- ▶ **Healthy City**
 - ▶ Relevant strategic action
 - ▶ Affordable housing - Increase the supply and the spectrum of affordable housing by delivering grant funding programs, establishing innovative partnerships, facilitating development of City-owned land for affordable housing and policy development.
- ▶ **Urban Places**
 - ▶ Relevant strategic actions - none of the specific identified strategic actions are considered relevant to ELD's operations but ELD can still support this strategic goal by supporting a mix of housing types in their communities.
- ▶ **Regional Prosperity**
 - ▶ Relevant strategic action
 - ▶ Industrial investment action plan - Attract, retain and support more industrial business by: building strategic partnerships, reducing investment bottlenecks, prioritizing industrial infrastructure investments, incentivizing industrial retention and improving industrial service delivery standards.
- ▶ **Climate Resilience**
 - ▶ Relevant strategic action - none of the specific identified strategic actions are considered relevant to ELD's operations but ELD can still support this strategic goal through actions described in Section 3: Sustainability.

Key Findings

Of the four strategic goals, there are only two identified action items that are considered relevant. The first is around increasing the supply of affordable housing through partnerships and contribution of City-owned land. The second is around attracting, retaining and supporting the industrial sector through strategic partnerships and infrastructure investments.

Appendix A: City's current goals, policies and priorities

The City Plan - Guiding values and city building outcomes

Summary - At the intersection of The City Plan's six (6) Guiding Values and Council's four (4) goals are 24 City Building Outcomes, revealing what Edmontonians ultimately want to experience in the city. The city-building outcomes provide the first step towards developing The City Plan policy.

The City Plan's six (6) guiding values

- ▶ I want to BELONG and contribute
- ▶ I want to LIVE in a place that feels like home
- ▶ I want opportunities to THRIVE
- ▶ I want more ACCESS within my city
- ▶ I want to PRESERVE what matters most
- ▶ I want to be able to CREATE and innovate

Council's four (4) goals

- ▶ Healthy city
- ▶ Urban places
- ▶ Regional prosperity
- ▶ Climate resilience

Key Findings

The relevant city building outcomes can be classified under environmental, social and economic buckets.

The ones that are most relevant to ELD are related to sustainable community design / infrastructure and supporting a diverse and resilient economy.

As the City plan continues to develop there may be additional considerations for ELD.

Key city building outcomes

Healthy City

- ▶ Edmontonians protect and steward the natural environment, local biodiversity, agriculture and food systems, and cultural landscapes.

Urban Places

- ▶ Edmontonians have the ability to live locally, in all seasons, with access to diverse and attainable housing options in communities that support their daily needs.
- ▶ Edmonton's commercial areas support diverse economy by attracting skills, talent and investment while supporting small business.
- ▶ Edmontonians live closer to what they need and are supported by more walkable communities, safe bicycle routes, and greater connectivity across all travel modes.
- ▶ Edmonton's river valley, natural environment, parks and open spaces are protected and expanded for future generations to connect with, explore and enjoy.

Climate Resilience

- ▶ Edmontonians demonstrate shared leadership as stewards of their environment and investors in their community.
- ▶ Edmonton is a leader in efficient, sustainable community design, development and living.

Regional Prosperity

- ▶ Edmonton's infrastructure, businesses, schools, and services are sustainable, benefitting the city and region in turn.
- ▶ Edmontonians, entrepreneurs and investors have opportunities and supports to grow a diverse and resilient economy.

Appendix A: City's current goals, policies and priorities

The City Plan - City Moves and Levers for Change

Summary - Defines bold, transformative priorities that will create a different set of opportunities for Edmonton by advancing City Council's strategic vision, principle and goals through The City Plan.

City Moves - all of the five City Moves are relevant to land development.

- ▶ **Greener as we grow** - Is about creating a city that is dedicated to preserving and protecting the environment through good design and conscious development decisions. By reclaiming underused sites, adopting regenerative design practices, becoming more energy efficient, and enhancing urban biodiversity, Edmonton's physical growth and population expansion are not detrimental but instead act as a catalyst to sustainability and resilience. By designing for people, a greener city is a place where everyone has access to natural spaces and can enjoy the benefits of living a healthier, and better connected, outdoor life.
- ▶ **A rebuildable city** - Is about working with what we have today and continuously adapting and reimagining our built environment to meet the needs of the future. Edmonton actively enables redevelopment. The city is constantly evolving, intensifying and becoming more efficient in response to new demands, opportunities and design ideas. Reshaping the city to better serve another million residents will require that we preserve our heritage assets while deliberately making more room to grow. In a rebuildable city residents respect the past but also understand the need to adjust, to be creative, and to be open to new possibilities that make communities thrive.
 - ▶ Ways this could take shape
 - ▶ Designing new and existing neighbourhoods, sites, street networks, infrastructure and the public realm for increased efficiency and improved adaptability.
 - ▶ Levers
 - ▶ Assuming some increased risk tolerance and being willing to choose preferred locations for redevelopment and infrastructure investment.
 - ▶ Considering how the design of new suburban development can better accommodate future redevelopment opportunities.
- ▶ **A community of communities** - Is about building connections to welcome new residents and developing housing, recreation and employment centres that are within reach. Distinct geographic districts comprised of many neighbourhoods and sub-areas within the city are supported by local community hubs and social gathering places. They are linked by a range of efficient mobility options, walkable features. Diverse design and development opportunities are provided to meet the needs of residents through all of life's phases. Accessibility is improved so residents can turn their time and attention to the things that really matter, like neighbourliness.

Appendix A: City's current goals, policies and priorities

The City Plan - City Moves and Levers for Change

- ▶ **Inclusive and compassionate** - Is city-making that supports human-centred design where people of all ages, backgrounds and abilities can not only survive, but thrive. It's where the Indigenous roots of our region are celebrated and made concrete in our daily lives and where newcomers feel welcome and at home. By focusing on building a city that emphasizes compassion and inclusivity, the City of Edmonton and Edmonton residents alike are intentional in their effort to reduce poverty, provide attainable and affordable housing and eliminate homelessness.
 - ▶ Ways this could take shape
 - ▶ Supporting a healthy city through physical design.
 - ▶ Increasing the supply of affordable housing.
 - ▶ Providing equitable access to public amenities and open spaces.
 - ▶ Creating spaces for spirituality and community connection at a variety of different scales and in diverse locations.
 - ▶ Creating opportunities for formal and informal gathering, recreation, arts and culture.
- ▶ **Catalyze and converge** - Is about developing new physical and economic opportunities for ideas, talent and investment to come together. It's where innovation, creativity, and technology go hand-in-hand with purpose and energy and where partnerships are ignited to steward our future economy and support personal prosperity. By creating a collaborative environment where businesses, academic institutions, the arts, and technology spark synergies and drive competitiveness ahead, Edmonton is attractive by design.
 - ▶ Ways this could take shape
 - ▶ Focusing on high-quality design in our public spaces and publicly-accessible places.

Key Findings

Greener as we grow is focused primarily on infill and redevelopment of underutilized sites but there are also some parallels towards becoming more energy efficient and designing communities with better access to natural spaces.

A rebuildable city is relevant due to the need to design communities for increased efficiency and improved adaptability.

Inclusive and compassionate / Catalyze and converge are similar in the focus on high quality community design. Affordable housing is another goal in inclusive and compassionate.

Appendix A: City's current goals, policies and priorities

Energy transition strategy

Summary - A plan to address and mitigate climate change through the reduction of greenhouse gas emissions, increasing energy efficiency and promoting renewable energy systems.

Strategic actions - there are twelve strategic actions of which Action #2 is considered the most relevant to land development.

- ▶ Edmonton will focus its energy transition efforts on opportunities it controls and influences.
 - ▶ Increasing energy efficiency in buildings.

Eight-year action plan - identifies seven opportunity areas of which three are considered relevant to land development.

- ▶ **Energy use in buildings** - The greening of Edmonton's building stock is possible through a variety of tactics involving government, building owners and occupants.
 - ▶ Relevant tactics
 - ▶ Encourage high energy efficiency standards in new buildings where economically justified.
- ▶ **Leadership** - The City is better positioned than any other entity in Edmonton to coordinate and lead Edmonton's energy transition. However, in order for the City to have credibility in this role, it must lead by example with exemplary energy efficiency and GHG mitigation performance in its own operations.
 - ▶ Relevant tactics
 - ▶ City-owned residential development: encourage sustainable development on land the City develops
 - ▶ Continue to encourage higher levels of sustainability by increasing minimum standards (e.g., third party certification requirements) and adding new or innovative requirements (such as solar-ready, partial solar, net zero) on residential properties sold by the City.
 - ▶ Continue to encourage LEED or equivalent certification and sustainability standards on industrial and commercial properties sold by the City. Consider requiring innovations such as rain water retention systems, eco-friendly paving and drainage and solar (PV, thermal and passive) on industrial and commercial properties.

Key Findings

Relevant to ELD is the plans for encouraging sustainable development on city land. This could be in the form of community design or the attributes of the buildings to make them more energy efficient and sustainable.

Appendix A: City's current goals, policies and priorities

Climate resilient Edmonton: adaptation strategy and action plan

Summary - Climate Resilient Edmonton: Adaptation Strategy and Action Plan is the first climate change resilience plan for Edmonton

Paths to climate resilience - Five (5) interconnected paths that connect science-based decision making with the primary climate change impacts identified. The most relevant path to land development is listed below.

- ▶ **Science and evidence based decisions** - This path is the underlying foundation of Edmonton's approach to climate change adaptation; it influences all other strategy pathways. This path is directional in Edmonton's climate resilience efforts. This path sets forward goals and actions to support: science and evidence based decision making; climate resilient infrastructure and built form; and communities, households, institutions and residents who are more prepared for impacts and opportunities from our changing climate.
 - ▶ Goals
 - ▶ Edmonton is planned, designed, developed and built to be climate resilient today and for future Edmontonians
 - ▶ Edmonton's communities and urban environment are resilient to changing temperatures

Key Findings

Relevant to ELD is the goal for communities to be planned, designed, developed and built to be climate resilient today and for future Edmontonians.

Appendix A: City's current goals, policies and priorities

Mitigation and adaptation considerations for land development

Summary - staff from the City Environmental Strategies group provided EY with a specific list of considerations for land development that could support climate change mitigation or adaptation

Type	Subdivision or Lot level	Considerations	Climate Change Mitigation or Adaptation
General	Subdivision	Consider third party neighbourhood standards like LEED	Mitigation and Adaptation
General	Subdivision/Lot level	Design based on forward looking climate data	Adaptation
General	Subdivision	Consider including air quality monitoring station in new areas	Adaptation
General	Subdivision	Consider incorporating space for a Resilience Hub	Adaptation
General	Subdivision	Please note that in certain circumstances there could be site specific considerations (eg. If close to a ravine, consider larger setbacks from a FireSmart planning perspective)	Adaptation
Energy	Subdivision	Solar orientation to support solar heating and cooling and for Solar PV.	Mitigation
Energy	Subdivision	Electric servicing that accounts for solar and electric vehicles (>37kva)	Mitigation
Energy	Subdivision	Evaluate renewable district energy as an option (Geothermal and geoexchange).	Mitigation and Adaptation
Energy	Lot Level	Ultimately mandating net zero homes with energy labeling	Mitigation
Energy	Lot Level	Prior to net zero at least net zero ready with solar ready and EV ready	Mitigation
Energy	Lot Level	Passive design standards to net-zero ready (CHBA net zero standard, passivhaus)	Mitigation
Energy	Lot Level	Consider promoting ground source and air source heat pumps (electrifying space heating).	Mitigation
Energy	Lot Level	Sales agreements to outline third party certification requirements and as close to net zero as is deemed feasible (net zero being the benchmark).	Mitigation
Energy	Subdivision	Subdivision level renewable energy target. 10% to 20% would be in line with other targets at the city but the new modelling is suggesting 60% should be the goal. This can be achieved at lot level or through community generation.	Mitigation
Energy	Subdivision/Lot Level	Go beyond the standards for lighting. Edmonton is launching light efficient guidelines in the next month that could be consulted.	Mitigation

Appendix A: City's current goals, policies and priorities

Mitigation and adaptation considerations for land development (cont'd)

Type	Subdivision or Lot level	Considerations	Climate Change Mitigation or Adaptation
Food Security	Subdivision	Integrate opportunities for local food	Adaptation
Food Security	Subdivision/Lot level	Include community food assets/infrastructure (community composting sites; food markets; fruit tree orchards; community gardens; edible landscaping; etc.)	Mitigation/Adaptation
Green Spaces	Subdivision/Lot level	Develop and design to support an increase in a naturalized city to bring nature back into the urban landscape.	Adaptation
Green Spaces	Subdivision	Maintain natural tree stands and natural areas	Adaptation
Green Spaces	Subdivision/Lot level	Increase the shading of surfaces by planting trees/other vegetation or including shading/cooling amenities	Adaptation
Green Spaces	Subdivision/Lot level	Climate resilient plant species and diverse street/boulevard tree species	Adaptation
Green Spaces	Lot level	Increase the depth of topsoil or consider soil amendments	Adaptation
Green Spaces	Subdivision/Lot level	Eco roofs	Adaptation
Infrastructure	Subdivision/Lot level	Address flooding risk	Adaptation
Infrastructure	Subdivision	On-site stormwater management (consider green infrastructure opportunities)	Adaptation
Infrastructure	Subdivision/Lot level	On-site water storage	Adaptation
Transit	Subdivision	Active transportation infrastructure and public transit preference where possible.	Mitigation
Transit	Subdivision	Intensification of land use (mixed use--ratios are in LEED if required), especially around the transit centre or bus stops	Mitigation

Key Findings

28 specific considerations / recommendations were provided that ELD should consider incorporating into their developments. The majority of these are related to the residential land developments rather than the industrial developments.

Appendix A: City's current goals, policies and priorities

Affordable housing strategy 2016-2025

Summary - The City of Edmonton believes that safe, adequate and affordable housing is fundamental to the physical, economic and social well-being of individuals, families and communities. The City of Edmonton Affordable Housing Strategy will guide City involvement in affordable housing for 10 years (2016-2025).

Goals - The strategy has four (4) goals to guide the City's actions. The following goal was determined to be relevant to land development.

- ▶ **Increase the supply of affordable housing in all areas of the city**
 - ▶ Associated objectives
 - ▶ Play a direct role in increasing supply

Key Findings

The goal of increasing affordable housing could be supported by ELD by contributing parcels of land or dividends from development to support affordable housing.

ELD's ongoing practice of selling building lots to individuals and smaller builders also supports the development of affordable housing given this allows for more competition in the market.

Appendix A: City's current goals, policies and priorities

Industrial investment action plan

Summary - plan to support new and existing industrial investments and maintain and increase the City's non-residential tax base.

Actions - Nine key actions were identified, of which only one was considered relevant to ELD.

- ▶ Eco-industrial principles - Eco-Industrial development requirements support a number of the City's environmental and sustainability objectives. Through engagement and flexible standards, the City is finding ways to implement Eco-industrial principles into industrial developments and cognizant of its impact on competitiveness.

Key Findings

The City is looking to encourage Eco-industrial principles in new industrial developments. ELD can support this in the way that their industrial land developments are designed.

Appendix B: Public sector real estate entity case case studies

Appendix B: Public sector real estate entity case studies

Mandate

Entity	Comments
Calgary Municipal Land Corporation	<p>CMLC exists to achieve the City's objectives for urban densification and community renewal, infrastructure investment and placemaking. CMLC's four (4) guiding principles include:</p> <ul style="list-style-type: none"> ▶ Redevelop, implement and activate public infrastructure to meet the needs of the community and the City of Calgary as the sole shareholder. ▶ Manage the investment in land and infrastructure for optimal financial return. ▶ Demonstrate leading practices for sustainable development. ▶ Demonstrate innovative and effective operating processes and practices.
City of Calgary - Land Development and Sales	<p>The Calgary Land Development & Sales department's aim is to maximize economic, social and environmental benefits by growing the non-residential tax base and generating employment opportunities.</p> <ul style="list-style-type: none"> ▶ The City of Calgary council has directed that the main focus is to maximize the value of city owned land to ensure a positive return on investment. ▶ Land sales translate into more businesses becoming part of The City's non-residential tax base and to overall economic growth and diversification. ▶ The current and expanded directive is to focus on the Anderson transit oriented development project and to initiate initial planning on other City-owned redevelopment sites.
City of Saskatoon - Saskatoon Land	<p>Core parts of mandate are:</p> <ul style="list-style-type: none"> ▶ Provide an adequate supply of residential, institutional and industrial land at competitive market values. ▶ Provide innovation and leadership in design for new growth. ▶ Ensure timely and financially responsible acquisitions of all land requirements for the corporation's various capital projects and ensure a sufficient long-term supply of future development lands for the City's land development business line. ▶ Provide financial returns at competitive rates of return on investment to the City for allocation to civic projects and programs. ▶ Assist in the attainment of orderly urban growth. ▶ Coordinate and oversee the ongoing maintenance and leasing of all City-owned future development lands. ▶ Operate on a level playing field with other land development interests in the city. Saskatoon Land is subject to all the same procedures and regulations that govern private sector land developers in the city. ▶ Provide real estate services and expertise on behalf of the Corporation.

Appendix B: Public sector real estate entity case studies

Mandate (cont'd)

Entity	Comments
City of Medicine Hat - Land & Business Support	<p>The L&BS department maintains the following three (3) key roles:</p> <ul style="list-style-type: none"> ▶ Land Development and Sales including all five steps to identify, plan, design, build and sell serviced land (residential, commercial and industrial) generating economic and public benefit. ▶ Property Management of City-owned lands not assigned to other department portfolios or allocated to subdivision development and Internal Consulting to other departments on real estate matters. ▶ Business Support Office to lead economic development through supporting effective tourism and investment attraction contracts, engaging with local / regional stakeholder agencies and facilitating sound investment readiness practices in conjunction with other City departments.
City of Toronto - Create TO	<p>As part of the centralized City-wide Real Estate model, the Create TO's mandate is to be stewards of the City's real estate assets, to drive a mandate focused on supporting programs, and to enable city-building. The Agency will leverage its real estate expertise to lead a City-wide real estate strategy, identify opportunities to modernize and harmonize operations, to drive service delivery for programs, and maximize real estate value in pursuit of social, economic, environmental, and program benefits</p> <p>Core parts of mandate are:</p> <ul style="list-style-type: none"> ▶ Coordinated stewardship of the City's real estate assets, and the ability to execute a mandate focused on supporting programs and enabling city-building; ▶ A strong accountability and governance structure with the necessary Council oversight, and built in flexibility to operate in the changing marketplace; ▶ Real estate expertise to modernize and harmonize operations, and to drive service delivery to programs and local communities across the City ▶ Opportunities to maximize real estate value in pursuit of social, economic, environmental, and program benefits, while achieving value for the City; and ▶ The ability to evolve over time and adjust as required to meet the City's changing and complex needs
Surrey City Development Corporation	<p>SCDC's mandate is:</p> <ul style="list-style-type: none"> ▶ To develop land for financial profit and the betterment of the City of Surrey. ▶ To build an income producing real estate portfolio. ▶ To help advance the City of Surrey's financial, social, economic, physical and community objectives.

Appendix B: Public sector real estate entity case studies

Governance

Entity	Comments
Calgary Municipal Land Corporation	<ul style="list-style-type: none"> ▶ CMLC is governed by a Board of Directors which are appointed by the City of Calgary. Currently the Board is comprised of 12 directors, including President and CEO of CMLC, the Mayor, two (2) City of Calgary Councillors, and eight (8) independent directors. ▶ The Board is accountable for the effective management of the business operations and outcomes of CMLC within the approved ▶ Corporate Plan and mandate CMLC’s relationship with the City of Calgary is governed by a Unanimous Shareholder Agreement where the City of Calgary is the sole shareholder. ▶ CMLC provides periodic filings around performance, future plans and updates such as Annual Reports, Three Year Business Plan and Annual Business Plan Updates.
City of Saskatoon - Saskatoon Land	<ul style="list-style-type: none"> ▶ Reports to Standing Policy Committee on Finance that is responsible for the overall supervision of the land development program including the approval of the sale of all land and approval of direct sales and long-term leases under the City’s Industrial Incentives Program. ▶ As part of a recent internal audit, Saskatoon Land has increased the level of reporting that takes place. This includes: <ul style="list-style-type: none"> ▶ Annual Report - details progress throughout the year and a high level summary of financials ▶ Three year land development report - annual report which summarizes the servicing of residential and non-residential suburban land and potential infill projects within Saskatoon. ▶ Annual business plan - Feeds into the Corporate Business Plan and sets out financial requirements.
City of Toronto - Create TO	<ul style="list-style-type: none"> ▶ The CreateTO Board consists of eight members appointed by City Council and cross-appointed to the Build Toronto and Toronto Port Lands Company boards. It comprises six public members appointed through the City’s Public Appointments process and two City Council members, one of whom is the Mayor or Council member-designate. City Council appoints the Board Chair and Vice-Chair.
Surrey City Development Corporation	<ul style="list-style-type: none"> ▶ SCDC is governed by an independent board of seven (7) directors of whom two (2) are directly appointed to represent the sole shareholder, the City of Surrey. ▶ Any transaction, cost or expense of \$5M or more needs approval from SCDC Board of Directors and City Council. ▶ The City is not involved in the day-to-day management of SCDC. As SCDC’s sole shareholder, the City does indirectly influence SCDC by approving its Strategic Plan and through a partnering agreement as well as providing final approval for all projects undertaken. It is in this way that SCDC aligns its goals with those of the City of Surrey.

Appendix B: Public sector real estate entity case studies

Performance metrics

Entity	Comments
City of Calgary - Land Development and Sales	<ul style="list-style-type: none"> ▶ Financial: ROI of \$1.50 for every \$1.00 invested ▶ Non-Financial: In addition to the ROI metric they also focus on gross land sales, the amount of additional non-residential tax base created, permanent job creation, business investment in industrial land. As a result of these priorities, they are strategic in who they sell land to based on what the purchaser is planning as they want to maximize the potential of each property.
City of Toronto - Create TO	<ul style="list-style-type: none"> ▶ Planned for 2019, CreateTO will be taking a system-wide approach to a performance measure framework. The objective is for CreateTO to drive value for the City through a variety of ways, supporting the delivery of multiple City services and programs, and generate balanced economic, environmental, social and financial benefits. Performance measures framework will include metrics regarding: Creating Complete Communities; Asset Stewardship and Driving Efficiency; Partnerships and Stakeholder Engagement; and Fiscal Sustainability.
Canada Lands Company	<ul style="list-style-type: none"> ▶ Financial <ul style="list-style-type: none"> ▶ Financial returns to the Gov't of Canada ▶ Total economic impact of activities ▶ Non-Financial <ul style="list-style-type: none"> ▶ Inclusive communities <ul style="list-style-type: none"> ▶ Dollars invested in community amenities ▶ % of active developments that will meet or exceed municipal requirements and/or provide for minimum 10% affordable housing ▶ Environmental sustainability <ul style="list-style-type: none"> ▶ Dollars spent on environmental attributes ▶ % of active developments with three or more LEED-ND metrics or third-party equivalency ▶ Community engagement <ul style="list-style-type: none"> ▶ No. of community associations CLC is a member of or supports within the year

Appendix B: Public sector real estate entity case studies

Housing affordability

Entity	Comments
City of Calgary - Land Development and Sales	<ul style="list-style-type: none">▶ 5% of gross industrial sales revenues is provided to the City's Public Housing Reserve to support the affordable workforce housing initiative.▶ Group also administers sales of surplus lands and has the ability to sell at below market values to support non-profit housing operators.
City of Saskatoon - Saskatoon Land	<ul style="list-style-type: none">▶ Incorporating focal points in new neighbourhood design such as village squares, streetscaping, and linear park design, as well as pre-designating rental, affordable and entry-level housing projects in each neighbourhood.▶ Profits from land development supported a \$500,000 contribution to the City's Affordable Housing Program in 2018 and since 2007 contributions have totalled over \$16M.
City of Toronto - Create TO	<ul style="list-style-type: none">▶ Responsible for managing the City's Housing Now Initiative to activate 11 City-owned sites for the development of affordable housing within mixed-income, mixed-use and transit-oriented communities. The first phase of the Housing Now Initiative will activate the 11 properties with the potential to create approximately 10,000 new residential units. Working in partnership with City Planning and the Affordable Housing Office, support development of 11 City owned properties for mixed income housing units.

Appendix B: Public sector real estate entity case studies

Sustainability

Entity	Comments
Calgary Municipal Land Corporation	<ul style="list-style-type: none"> ▶ Focused investment in brownfield mixed use development that is walkable, reduces vehicular traffic and includes large amount of green space and paths.
City of Calgary - Land Development and Sales	<ul style="list-style-type: none"> ▶ Incorporate sustainable design solutions and environmental practices into site designs. ▶ Projects are assessed with the 2020 Sustainability Direction in mind and analysis is done on the achievable corporate objectives, financial implications, risks and trade-offs.
City of Saskatoon - Saskatoon Land	<ul style="list-style-type: none"> ▶ Design complete communities with a range of household types and contain a mix of commercial, institutional and residential land uses, purposefully designed to promote active transportation options and increase density. ▶ Extensive parks, pedestrian paths, bicycle routes in new residential communities. ▶ Incentive program to promote environmentally sustainable building and household practices. This includes \$500 admin cost rebate to certify homes through Energy Star, Energuide or LEED programs, one composter and rainwater barrel also provided per lot. Trees and or bushes also available in some communities. ▶ Some developments feature building lot orientation to maximize solar energy.
Canada Lands Company	<p>Includes sustainable features in new developments and annually tracks:</p> <ul style="list-style-type: none"> ▶ Dollars spent on environmental attributes ▶ % of active developments with three or more LEED-ND metrics or third-party equivalency

Appendix B: Public sector real estate entity case studies

Economic development

Entity	Comments
Calgary Municipal Land Corporation	<ul style="list-style-type: none"> ▶ CMLC was created to spur on investment in the Rivers District and act as developer of East Village. ▶ CRL model has been a success generating annual revenues to provides self-sustaining funding for redevelopment without a general tax increase to the citizens of Calgary.
City of Calgary - Land Development and Sales	<ul style="list-style-type: none"> ▶ Focus on increasing the non-residential tax base, job creation and business investment in industrial land. Are strategic who they sell land to as a way of ensuring maximum benefit.
City of Saskatoon - Saskatoon Land	<ul style="list-style-type: none"> ▶ Industrial incentive program supports economic development by offering land via land lease with a future option to purchase. Initial term is 15 years, lease rate is locked in for first 10 years at a rate based on the City's cost of borrowing plus 1%. The option to purchase is at the market value in effect at the time of the lease agreement. ▶ Development activities of Saskatoon Land provides material financial returns to the City (totalling over \$133M since 2007)
City of Medicine Hat - Land & Business Support	<ul style="list-style-type: none"> ▶ Business Support Office to lead economic development through supporting effective tourism and investment attraction contracts, engaging with local / regional stakeholder agencies and facilitating sound investment readiness practices in conjunction with other City departments. ▶ L&BS has been running the incentive program to financially incentivise downtown property owners to upgrade existing properties or build new spaces.
Surrey City Development Corporation	<ul style="list-style-type: none"> ▶ Participate in higher risk city building projects that then spur on additional private sector investment. ▶ Dividends provided to the city have funded important initiatives and helped subsidize property taxes.

CAPITAL PROFILE REPORT

PROFILE NAME:	INDUSTRIAL-COMMERCIAL-INVESTMENT LAND DEVELOPMENT (ABEYANCE)	FUNDED
PROFILE NUMBER:	CM-16-2010	PROFILE STAGE: Approved
DEPARTMENT:	Financial & Corporate Services	PROFILE TYPE: Composite
LEAD BRANCH:	Real Estate	LEAD MANAGER: Chris Hodgson
PROGRAM NAME:		PARTNER MANAGER:
PARTNER:		ESTIMATED START: January, 2015
BUDGET CYCLE:	2015-2018	ESTIMATED COMPLETION: December, 2022

Service Category:	Land	Major Initiative:
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GROWTH	RENEWAL	PREVIOUSLY APPROVED:	56,476
100		BUDGET REQUEST:	-
		TOTAL PROFILE BUDGET:	56,476

PROFILE DESCRIPTION

Enterprise Land Development (ELD) is a self funded business model that acquires raw land and invests in planning, engineering and site servicing to bring lots to sale. Revenue from the sale of the serviced land is used to reinvest into retained earnings as well as to offset the City's operational costs through an annual dividend.

ELD owns land supply intended for Industrial-Commercial-Investment (ICI) development in Ellerslie, Goodridge Corners, Southeast Industrial, Rampart and Roper, and other land as acquired. Raw land is purchased, as outlined in CM-16-2015 and invested in to prepare it for future sale as detailed in Land Development Policy C511. Reinvestment in retained earnings furthers land development activities in these developments and other land as acquired.

Land development activities comprise 4 phases:

1. Land acquisition & conceptual planning
2. Development detailed design
3. Development construction
4. Development sales

This capital profile report supports phase 2 and 3.

Project specific costs include planning, engineering design and construction costs as well as fees and assessments. Construction costs include off-site construction, such as servicing sewer and roadways, and on-site servicing costs such as earthwork, municipal infrastructure and collector roads. Fees and assessments include subdivision fees, MR cash in lieu, boundary conditions, and Permanent Area Contributions (PAC's) and Arterial Roadway Assessments (ARA's).

PROJECT LIST

Goodridge Corners, Southeast Industrial, Rampart, Roper, Ellerslie, Pylypow and other land as acquired.

PROFILE BACKGROUND

Enterprise Land Development ICI land development projects are multi-year initiatives (5+ years) requiring reinvestment of retained earnings to further activities. Land development activities create serviced lots, generating revenue and return on investment to the City while contributing to Council priorities, the City's strategic initiatives, and ensuring a three year supply of serviced industrial land in accordance with Land Development Policy C511.

Profile name changed from ICI Land Development to Industrial-Commercial-Investment Land Development (October 4, 2018).

PROFILE JUSTIFICATION

Approval of ongoing capital investment for land development activities is required to ensure a continuous cycle of land development prior to sale. Land development activities generate revenue and provide an annual dividend return to the City in accordance with Land Enterprise Dividend Policy C516B.

Land development activities are completed in accordance with Land Development Policy C511 to ensure "Administration will maintain an inventory of...industrial development land sufficient to enable the City to maintain existing [...] development activities." In addition activities contribute to Council's priorities and the City's strategic initiatives, in particular, regional prosperity and the Industrial Land Strategy as development activities attract business investment and promote economic diversity and prosperity.

STRATEGIC ALIGNMENT

ICI land development undertaken by ELD contributes to Council's priorities, specifically the ten-year goal of regional prosperity and the Industrial Land Strategy as well as supporting climate resilience.

ALTERNATIVES CONSIDERED

Financial statements, in the form of project proformas, evaluate land development projects including analysis of requirements such as capital costs, servicing costs as well as other & resource required versus financial return. Individual project activities and staging are adapted to respond to competitive market conditions.

COST BENEFITS

While land development activities require capital investment, the sale of serviced industrial land generates profit, contributes to strategic municipal initiatives, constructs infrastructure and may additionally serve as a catalyst for private sector land development.

KEY RISKS & MITIGATING STRATEGY

Key risks for land development activities are project risk and market risk. Market risks include economic and local market condition changes, both supply and demand, which impact saleability and project profitability.

RESOURCES

Enterprise Land Development project managers lead project activities with the support of internal staff and external consultants and contractors. Property Sales staff negotiate and sell lots.

CONCLUSIONS AND RECOMMENDATIONS

Given the City's strategic goal of regional prosperity and the Industrial Land Strategy objectives, ongoing funding is recommended to ensure ongoing Industrial-Commercial-Investment land development activity to provide lot supply contributing to economic diversification, prosperity and business attraction.

CONTINGENCY OF APPROVAL

Funding for Land Enterprise funded profiles be held in Abeyance as follows:

- 1) except for \$22.53 million in Capital Profile CM-16-2010
 - a) \$4.83 million Approved (November 28, 2018)
 - b) \$17.7 million Approved (April 2, 2019)
- 2) except for \$11.1 million in Capital Profile CM-16-2020 Approved (November 28, 2018)
- 3) the remainder of the funds are to be held in abeyance until the report CR_7122 - Land Governance Strategy Update is received by Executive Committee in November 2019.

The exempt amounts approved in November 2018 were developed by the business area and would allow them to complete Goodridge Stage 1 and 2, required warranty work in Rampart Industrial, payment of builders lien judgement in SE Industrial and AEP required remediation work, required warranty work in Laurel 10, and finishing construction to bring lots to market in Laurel 22. The exempt amounts approved in April 2019 were also developed by the business area and allow them to undertake further ICI Development in Rampart, SE Industrial and Ellerslie.

CAPITAL PROFILE REPORT

PROFILE NAME: **Industrial-Commercial-Investment Land Development (Abeyance)**

FUNDED

PROFILE NUMBER: **CM-16-2010**

PROFILE TYPE: **Composite**

BRANCH: **Real Estate**

CAPITAL BUDGET AND FUNDING SOURCES (000's)

APPROVED BUDGET		Prior Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	Beyond 2027	Total
	Approved Budget												
	Original Budget Approved	87,248	-	-	-	-	-	-	-	-	-	-	87,248
	2015 Cap Carry Forward	-	-	-	-	-	-	-	-	-	-	-	-
	2016 Cap Capital Budget Adj (one-off)	-	-	-	-	-	-	-	-	-	-	-	-
	2016 Cap Carry Forward	-	-	-	-	-	-	-	-	-	-	-	-
	2017 Cap Carry Forward	-	-	-	-	-	-	-	-	-	-	-	-
	2018 Cap Budget Request for Next Cycle	-	14,790	13,800	8,160	2,880	-	-	-	-	-	-	39,630
	2018 Cap Release to Corp Pool	-70,401	-	-	-	-	-	-	-	-	-	-	-70,401
	Current Approved Budget	16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476
	Approved Funding Sources												
	Land Fund Retained Earnings	16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476
	Current Approved Funding Sources	16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476

BUDGET REQUEST													
Budget Request		-	-	-	-	-	-	-	-	-	-	-	-

REVISED BUDGET (IF APPROVED)													
Revised Budget (if Approved)		16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476
Requested Funding Source													
Land Fund Retained Earnings		16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476
Requested Funding Source		16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476

CAPITAL BUDGET BY ACTIVITY TYPE (000's)

REVISED BUDGET (IF APPROVED)	Activity Type	Prior Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	Beyond 2027	Total
	Land	16,846	-	-	-	-	-	-	-	-	-	-	16,846
	Land Improvements	-	14,790	13,800	8,160	2,880	-	-	-	-	-	-	39,630
	Total	16,846	14,790	13,800	8,160	2,880	-	-	-	-	-	-	56,476

OPERATING IMPACT OF CAPITAL

Type of Impact:

Branch:																
	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE
Total Operating Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CAPITAL PROFILE REPORT

PROFILE NAME:	RESIDENTIAL/MIXED-USE LAND DEVELOPMENT (ABEYANCE)	FUNDED
PROFILE NUMBER:	CM-16-2020	PROFILE STAGE: Approved
DEPARTMENT:	Financial & Corporate Services	PROFILE TYPE: Composite
LEAD BRANCH:	Real Estate	LEAD MANAGER: Chris Hodgson
PROGRAM NAME:		PARTNER MANAGER:
PARTNER:		ESTIMATED START: January, 2015
BUDGET CYCLE:	2015-2018	ESTIMATED COMPLETION: December, 2022

Service Category:	Land	Major Initiative:	
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GROWTH	RENEWAL	PREVIOUSLY APPROVED:	63,092
100		BUDGET REQUEST:	-
		TOTAL PROFILE BUDGET:	63,092

PROFILE DESCRIPTION

Enterprise Land Development (ELD) is a self funded business model that acquires raw land and invests in planning, engineering and site servicing to bring lots to sale. Revenue from the sale of the serviced land is used to reinvest into retained earnings as well as to offset the City's operational costs through an annual dividend.

ELD owns land supply intended for Residential/Mixed-Use development in Goodridge Corners, Laurel, Schonsee, and other land as acquired. Raw land is purchased, as outlined in CM-16-2025, and invested in order to bring serviced Residential/Mixed-Use lots to sale. Reinvestment of retained earnings furthers land development activities in these developments and other land as acquired.

Land development activities comprise 4 phases:

1. Land acquisition & conceptual planning
2. Development detailed design
3. Development construction
4. Development sales

This capital profile report supports phase 2 and 3.

Project specific costs include planning, engineering design and construction costs as well as fees and assessments. Construction costs include established off-site charges, such as servicing sewers, arterial roads and on-site servicing costs such as earthwork, municipal infrastructure and collector roads. Fees and assessments include subdivision related fees, MR cash in lieu, and Permanent Area Contributions (PAC's) and Arterial Roadway Assessments (ARA's).

PROJECT LIST

Goodridge Corners, Laurel, Schonsee and other land as acquired.

PROFILE BACKGROUND

Residential/mixed-use land development projects are multi-year initiatives (5+ years) requiring reinvestment of retained earnings to further activities. Land development activities create serviced lots, generating revenue and profit while land development, as outlined in City Policy C511 and C516B, contributes to the City's strategic plan.

PROFILE JUSTIFICATION

Approval of ongoing capital investment for land development activities is required to ensure a continuous cycle of land development prior to sale. Land development activities generate revenue and provide an annual dividend return to the City in accordance with Land Enterprise Dividend Policy C516B.

Land development activities are completed in accordance with Land Development Policy C511 to ensure "Administration will maintain an inventory of residential... development land sufficient to enable the City to maintain existing [...] development activities."

Residential/Mixed-Use land development provides diverse and affordable residential lot options for the general public, while facilitating community building and livability.

STRATEGIC ALIGNMENT

Residential land development by Enterprise Land Development contributes to the City's Strategic Plan by supporting climate resilience, development of urban places and promoting regional prosperity.

ALTERNATIVES CONSIDERED

Project proformas evaluate requirements such as capital costs, servicing costs and other resources as well as and project profitability. Individual project activities and staging are adapted to respond to competitive market conditions.

COST BENEFITS

While land development activities require capital investment, the sale of serviced residential / mixed-use lots generates profit, contributes to strategic municipal initiatives, constructs infrastructure and may additionally serve as a catalyst for private sector land development.

KEY RISKS & MITIGATING STRATEGY

Key risks for land development activities are project risk and market risk. Market risks include economic and local market condition changes, both supply and demand, which impact saleability and project profitability.

RESOURCES

Enterprise Land Development project managers lead project activities with the support of internal staff and external consultants and contractors. The City's Property Sales team negotiate and sell lots.

CONCLUSIONS AND RECOMMENDATIONS

Funding is recommended to advance goals in the City's Strategic Plan through residential land development activities which contribute to residential supply, housing affordability, and community building.

CONTINGENCY OF APPROVAL

Funding for Land Enterprise funded profiles be held in Abeyance as follows:

- 1) except for \$22.53 million in Capital Profile CM-16-2010
 - a) \$4.83 million Approved (November 28, 2018)
 - b) \$17.7 million Approved (April 2, 2019)
- 2) except for \$11.1 million in Capital Profile CM-16-2020 Approved (November 28, 2018)
- 3) the remainder of the funds are to be held in abeyance until the report CR_7122 - Land Governance Strategy Update is received by Executive Committee in November 2019.

The exempt amounts approved in November 2018 were developed by the business area and would allow them to complete Goodridge Stage 1 and 2, required warranty work in Rampart Industrial, payment of builders lien judgement in SE Industrial and AEP required remediation work, required warranty work in Laurel 10, and finishing construction to bring lots to market in Laurel 22. The exempt amounts approved in April 2019 were also developed by the business area and allow them to undertake further ICI Development in Rampart, SE Industrial and Ellerslie.

CAPITAL PROFILE REPORT

PROFILE NAME: Residential/Mixed-Use Land Development (Abeyance)

FUNDED

PROFILE NUMBER: CM-16-2020

PROFILE TYPE: Composite

BRANCH: Real Estate

CAPITAL BUDGET AND FUNDING SOURCES (000's)

APPROVED BUDGET		Prior Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	Beyond 2027	Total
	Approved Budget												
Original Budget Approved		74,121	-	-	-	-	-	-	-	-	-	-	74,121
2015 Cap Carry Forward		-	-	-	-	-	-	-	-	-	-	-	-
2016 Cap Capital Budget Adj (one-off)		-	-	-	-	-	-	-	-	-	-	-	-
2016 Cap Carry Forward		-	-	-	-	-	-	-	-	-	-	-	-
2017 Cap Carry Forward		-	-	-	-	-	-	-	-	-	-	-	-
2018 Cap Budget Request for Next Cycle		-	11,100	2,820	13,800	18,420	-	-	-	-	-	-	46,140
2018 Cap Release to Corp Pool		-57,169	-	-	-	-	-	-	-	-	-	-	-57,169
Current Approved Budget		16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092
Approved Funding Sources													
Land Fund Retained Earnings		16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092
Current Approved Funding Sources		16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092

BUDGET REQUEST													
Budget Request		-	-	-	-	-	-	-	-	-	-	-	-

REVISED BUDGET (IF APPROVED)													
Revised Budget (if Approved)		16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092
Requested Funding Source													
Land Fund Retained Earnings		16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092
Requested Funding Source		16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092

CAPITAL BUDGET BY ACTIVITY TYPE (000's)

REVISED BUDGET (IF APPROVED)	Activity Type	Prior Years	2019	2020	2021	2022	2023	2024	2025	2026	2027	Beyond 2027	Total
	Land	16,952	-	-	-	-	-	-	-	-	-	-	16,952
	Land Improvements	-	11,100	2,820	13,800	18,420	-	-	-	-	-	-	46,140
	Total	16,952	11,100	2,820	13,800	18,420	-	-	-	-	-	-	63,092

OPERATING IMPACT OF CAPITAL

Type of Impact:

Branch:																
	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE	Rev	Exp	Net	FTE
Total Operating Impact	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Land Governance Strategy Update

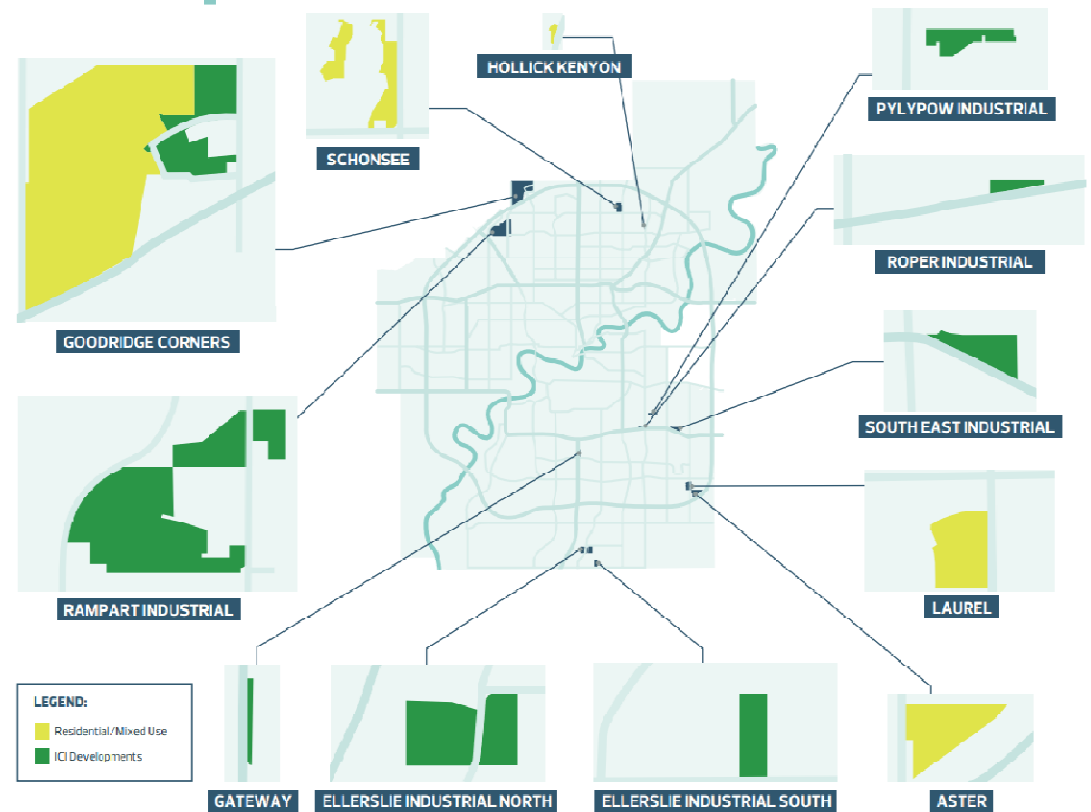
Executive Committee
November 18th, 2019



Enterprise Land Development (ELD)

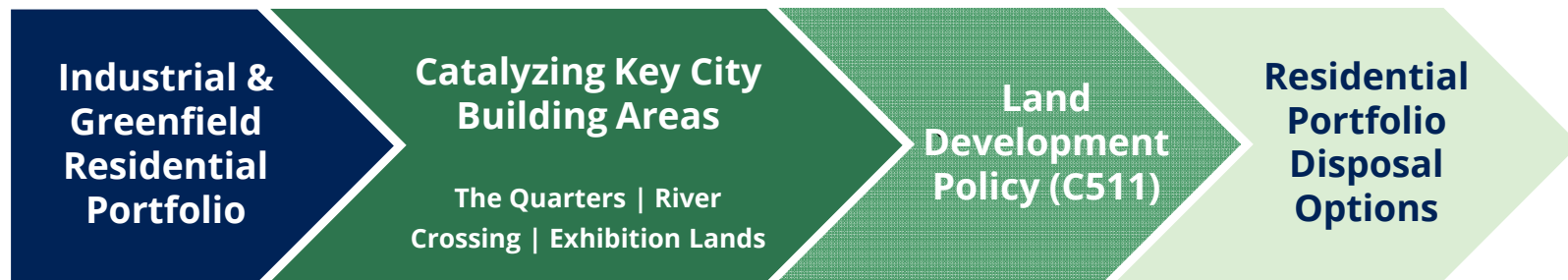
ELD holds approximately
958 acres:

- 454 acres for industrial commercial lot development
- 504 acres for greenfield residential development



Real Estate Advisory Committee (REAC)

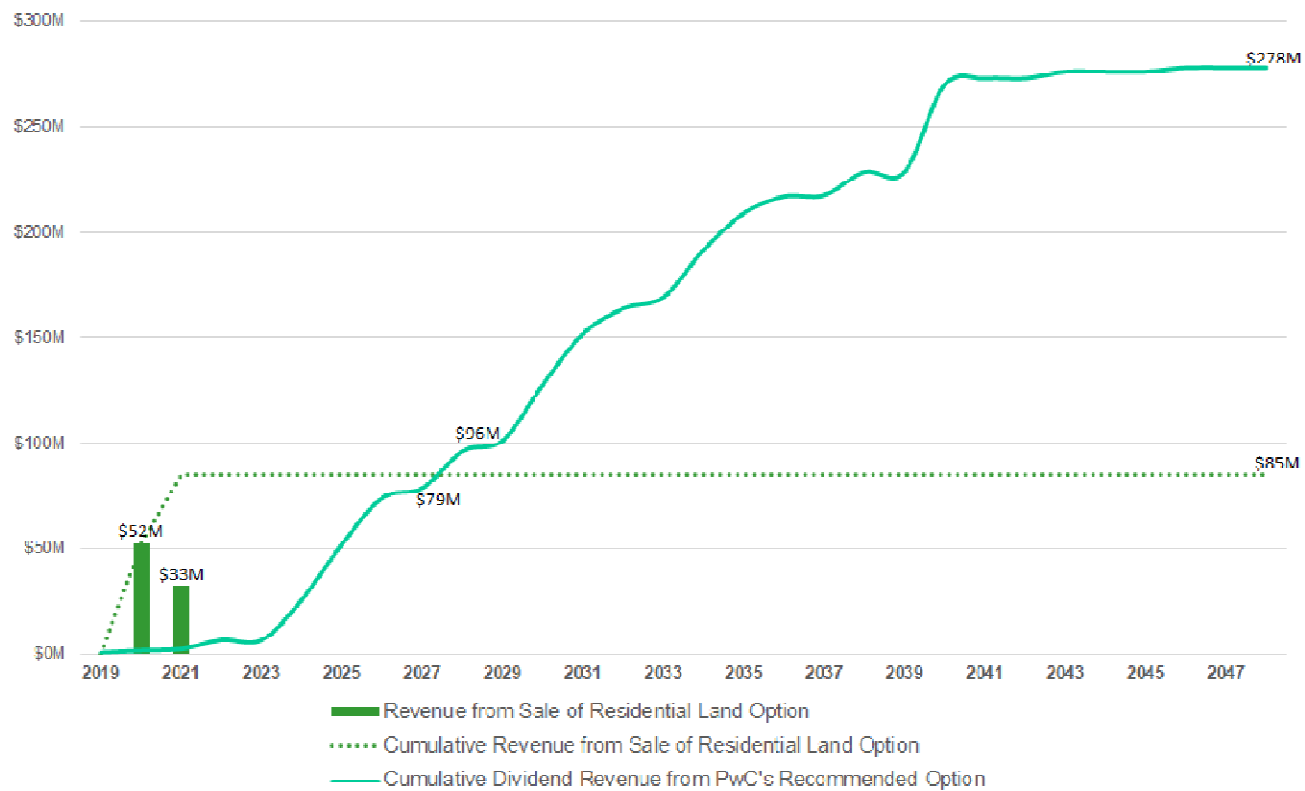
Advice and recommendations from industry on:



- **7 Meetings**
- **13 Industry Members**

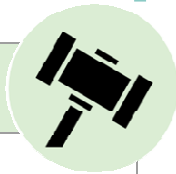
April to September 2019

Financial Analysis



Land Development Policy (C511)

Mandate



- Applies to ELD Only
- Manage holdings in a fiscally responsible manner
- Operate as a self sustaining enterprise
- Align with Council's Strategic Objectives

Governance



- Annual report to Council
- Bi-annual reporting to senior Administration
- Engage regularly with REAC

Climate Resilience



Incorporate commercially responsible sustainable features

Development



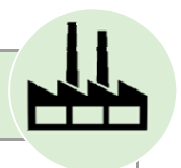
Will not acquire land for greenfield residential development

Residential



Incorporate support for affordable housing

Industrial



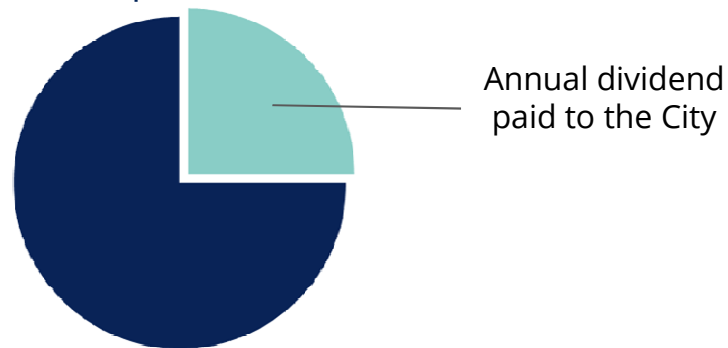
Industrial land acquisitions and development should support front-ending infrastructure costs

Land Enterprise Dividend Policy (C516B)

Current Policy

- **Land Enterprise pays an annual dividend to the City based on 25% of actual net income of land development activities.**

Land Enterprise net income



Recommended review and update of the policy

- **Return in Q2 2020 with recommended special dividend**

Budget

Remainder of Capital Profiles to be released:

- **CM-16-2010** (Industrial-Commercial-Investment Land Development)
- **CM-16-2020** (Residential/Mixed-Use Land Development)



Transfer \$7.5 million:

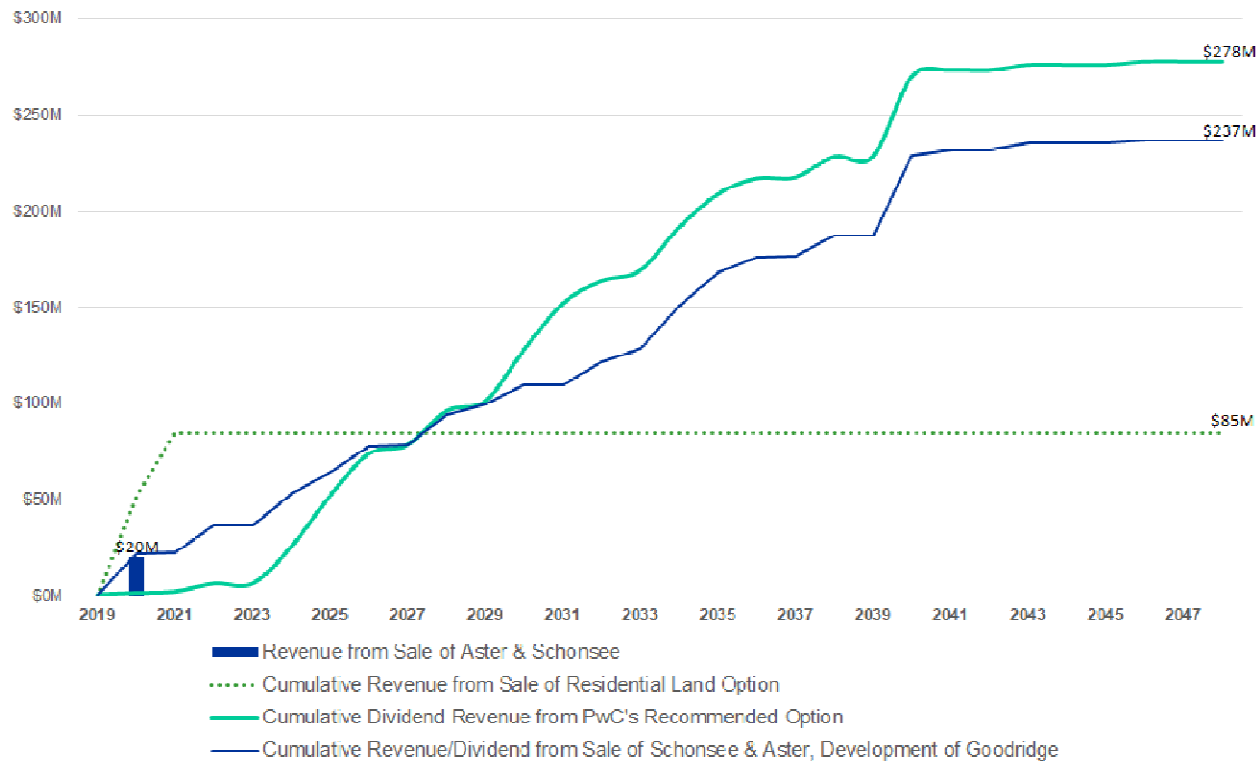
From **CM-16-2025** (Residential/Mixed-Use Land Development Acquisitions)
to **CM-16-2020** (Residential/Mixed-Use Land Development)



Thank you



Disposition of Schonsee & Aster vs. All or Nothing Analysis



Disposition Options - Schonsee

Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ^{(1),(3)}	Total Proceeds + Tax Revenue (Discounted) ^{(1),(3)}
1	\$24.9M	\$14.1M	\$32.3M	12.8%	6 yrs	\$12.12M	\$26.2M
2	\$1.9M	\$1.5M	\$9.3M	25.6%	1 yrs	\$12.13M	\$13.6M
3	\$10.5M	\$6.8M	\$17.9M	16.3%	4 yrs	\$12.02M	\$18.8M
4	\$12.1M	\$8.0M	\$19.5M	17.6%	4 yrs	\$12.02M	\$20.0M

Option 1 - ELD Status Quo

Option 2 - Quick Sale of lands As-/s in open market

Option 3 - Development of Schonsee "West", Quick Sale of "East" land As-/s in open market

Option 4 - Development of Schonsee "West", Rezone of "East" lands to low & medium density residential -> Sale of rezoned lands in open market

Disposition Options - Aster

in millions Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$18.4M	\$5.7M	\$29.5M	7.0%	14 yrs	\$11.17M	\$21.3M
2	\$17.9M	\$6.0M	\$29.0M	7.3%	13 yrs	\$11.46M	\$21.9M
3	\$0.1M	(\$0.3M)	\$11.2M	-	1 yrs	\$11.51M	\$13.7M
4	\$7.1M	\$0.9M	\$18.2M	4.9%	13 yrs	\$11.48M	\$15.9M

Option 1 - ELD Status Quo

Option 2 - Market Driven Development -> Pace of development determined by market conditions (ELD lot development cap ignored)

Option 3 - Quick Sale of lands As-Is in Market

Option 4 - Development of 50% of Aster lands, Quick Sale of remaining 50% of land As-Is in open market

Disposition Options - Goodridge Corners

in millions Option	Proceeds (Undiscounted)	Proceeds (Discounted) ⁽¹⁾	Disposable Cash Proceeds from Sale or Dev (Undiscounted) ⁽⁴⁾	IRR	Timeline ⁽²⁾	Tax Revenue (Discounted) ⁽¹⁾⁽³⁾	Total Proceeds + Tax Revenue (Discounted) ⁽¹⁾⁽³⁾
1	\$151.0M	\$78.7M	\$159.1M	38.1%	29 yrs	\$55.26M	\$134.0M
2	\$138.3M	\$79.1M	\$146.4M	45.7%	27 yrs	\$62.71M	\$141.8M
3	\$47.3M	\$41.3M	\$64.4M	72.1%	2 yrs	\$62.74M	\$104.0M
4	\$65.8M	\$55.8M	\$83.9M	70.0%	6 yrs	\$62.73M	\$118.5M

Option 1 - ELD Status Quo

Option 2 - Market Driven Development -> Pace of development determined by market conditions (ELD lot development cap ignored)

Option 3 - Quick Sale of lands As-/s in Market

Option 4 - Development of Stages 3, 4 & 5, Quick Sale of remaining land As-/s in open market