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Executive Committee Report

Land Governance Strategy Update – Enterprise Land Development Program Update – Additional Information

THIS ITEM WAS REFERRED TO CITY COUNCIL WITHOUT A COMMITTEE RECOMMENDATION

Administration Recommendation

1. That reinitiation of Enterprise Land Development greenfield residential development for the 2019-2022 budget cycle, based on the recommended disposition strategy outlined in the February 24, 2020, Financial and Corporate Services report CR_7122rev, be approved.
2. 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 and Capital Profile CM-16-2020, be released.
3. That Attachment 8 of the February 24, 2020, Financial and Corporate Services report CR_7122rev remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom and Information and Protection of Privacy Act.*

History

At the February 24, 2020, Executive Committee meeting, the February 24, 2020, Financial and Corporate Services report CR_7122rev was considered and the Committee heard from A. Usenik and C. Nicholas, Real Estate Advisory Committee.

Attachment

February 24, 2020, Financial and Corporate Services report CR_7122rev

Land Governance Strategy Update

Enterprise Land Development Program Update - Additional Information

Recommendation

That Executive Committee recommend to City Council:

1. That reinitiation of Enterprise Land Development greenfield residential development for the 2019-2022 budget cycle, based on the recommended disposition strategy outlined in the February 24, 2020, Financial and Corporate Services report CR_7122rev, be approved.
2. 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 and Capital Profile CM-16-2020, be released.
3. That Attachment 8 of the February 24, 2020, Financial and Corporate Services report CR_7122rev remain private pursuant to sections 24 (advice from officials) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom and Information and Protection of Privacy Act*.

Previous Council/Committee Action

At the November 18, 2019, Executive Committee meeting the following motion was passed:

> That the November 18, 2019, Financial and Corporate Services report CR_7122 be referred back to Administration to:
> 1. Provide an analysis on the return of an $85 million investment, based on a typical civic investment scenario, and
> 2. Offer to work with REAC to provide additional analysis on the land development program options and financial model.

Other previous motions related to the Land Development Program are included in Attachment 1.

Executive Summary

Administration continues to review the City's corporate real estate strategy and Enterprise Land Development (ELD) through the lens of the strategic goals outlined in ConnectEdmonton, the Corporate Business Plan and the draft City Plan. Under the *Municipal Government Act,* a land development program is one of only a few revenue tools available for municipalities. The review of Edmonton's ELD program included ongoing engagement with the Real Estate Advisory Committee (REAC) and insight from third party consultants on the program's remaining holdings.

With the help of third party expertise, Administration considered disposition options for the ELD program's remaining greenfield residential land. Options ranged from developing the land and selling lots at a market driven rate to selling the land as-is. The third party's recommended option is that the City develop its remaining greenfield residential lands at a market driven pace. This approach is estimated to generate $204 million over a 30 year horizon, with a Net Present Value (a measure of future revenue in today's dollars) of $123 million. This value includes all costs for developing the land but does not include the original land cost. Sale of the land as-is would generate approximately $85 million in gross sale revenue over two years.

In response to the motions made at the November 18, 2019 Executive Committee meeting, Administration further evaluated investing $85 million from short term sales into a civic investment vehicle. Three investment types were considered, including the Ed Tel Endowment Fund. Any investment scenarios that withdraw funds before 2049 generate lower Net Present Values than the Net Present Value of continued greenfield residential development.

Based on the compared return on investment, Administration recommends Council approves reinitiation of the City's residential land development for the 2019-2022 budget cycle. Administration also recommends transfering funds from the land acquisition capital profile to the development profile. As per the third party review and input from industry members, the City does not plan to acquire any new land for residential development. The additional release of industrial/commercial and residential/mixed-use land profiles will allow the City to meet its 2019-2022 Budget projections and fund outstanding contractual commitments. Administration will regularly evaluate success and projections for its remaining land inventory, and will provide business cases to Council about options to continue development or sell assets in the future.

Report

Background

Throughout 2019, Administration led a comprehensive review of the remainder of Enterprise Land Development (ELD) land holdings. A map of holdings is included as Attachment 2. This included consultation with the Real Estate Advisory Committee (REAC) and advice from external consultants PricewaterhouseCoopers (PwC) and Ernst & Young (EY) to determine how the ELD program can:

- Align to the strategic goals outlined in ConnectEdmonton, the Corporate Business Plan and the draft City Plan;
- Attract private investment to the city; and
- Catalyze key city building areas such as the River Crossing, Exhibition Lands or Quarters Land Development Projects.

The November 18, 2019 Executive Committee report CR_7122 Land Governance Strategy Update provided:

- Proposed updates to the Land Development Policy (C511) with a focus on mandate, governance and development guidelines in addition to support for climate resilience and affordable housing;
- Proposed updates to the Enterprise Dividend Policy (C516B) to support payment of a special dividend to fund city building initiatives;
- Summary of Administration's consultations with REAC (Attachment 3).
- REAC's advice on the Land Development Policy (C511) and the residential disposal options, as generally captured in PwC and EY reports, Attachments 4 and 5; and
- Information on Special Economic Zones (Urban Reserves).

Enterprise Land Development (ELD)

ELD is a self funded program, operating within the financial structure of Land Enterprise, that acquires raw land and invests in planning, engineering and servicing to create serviced lots for sale. ELD's activities are conducted in accordance with the Land Development Policy (C511). Pursuant to the Land Enterprise Dividend Policy (C516B), revenue from lot sales fund program operations, including future land acquisitions and development of existing land. The program also provides an annual dividend to the City that offsets tax levy requirements. Under the *Municipal Government Act,* the program is one of only a few revenue tools available for municipalities.

<u>Industrial Commercial Lot Development Update</u>

CR_7122 also provided an update on industrial land activities in 2019. The Gateway Boulevard property continues to be subject to a sales contract and is expected to transfer to the buyer in 2020.

Greenfield Residential Lot Development Update

As outlined in CR_7328, Sale of Land Below Market Value, in July 2019, Council approved the transfer of six remaining ELD held residential lots in Hollick Kenyon to Habitat for Humanity - Edmonton Society for $1.00. By transferring the land at $1.00 instead of the estimated market value price of $1.1 million, the City forfeited a potential dividend of approximately $230,000.

The City's residential lot development in the Laurel neighbourhood, The Meadows of Laurel, is now largely complete; final construction and warranty work will occur until 2022. Lot sales commenced in 2019 and will continue annually until 2022 through a staged draw process. Two thousand registrants entered into the 2019 lot draw and all lots offered for sale were sold. The results of a questionnaire completed by registrants and a profile of the Laurel development are included in Attachment 6.

The Real Estate Advisory Committee (REAC)

In response to the motion made at the November 18, 2019, Executive Committee meeting, Administration and PwC worked with REAC to address questions and concerns about development options and PwC's financial model.

During this recent engagement, industry members submitted the questions outlined in Attachments 7 and 8 (Private). Administration's responses are also included in the attachments. Financial terms are defined in Attachment 9. Industry members' specific concerns about PwC's analysis included: industry employs a higher discount rate, revenue projections should not be increased annually, market value instead of book value should be used in Internal Rate of Return calculations, and that maximum cash value at risk should be identified within PwC's report.

Recommended Disposition Strategy of City Owned Greenfield Residential Development lands

The recommended disposition strategy includes an updated Land Development Policy (C511) that outlines a moratorium on new residential greenfield land purchases. The next stages of residential lot development will continue at a market driven pace. To support this, Administration recommends the release and transfer of capital funding for the 2019-2022 budget cycle. This will allow advancement of the next stages of residential lot development in Schonsee and Goodridge.

While PwC's recommended option is to develop the remaining greenfield residential lands over the next 30 years, the City budget cycle only allows funding approval until

2022. Administration has outlined an updated governance model in CR_7122, that includes opportunities for Council and industry member feedback, in addition to a more robust reporting structure and regular reviews prior to the commencement of future stages of lot development, considerate of market conditions and maximizing return on investment.

PwC's recommended option for developing remaining greenfield residential lands is estimated to generate $177 million in total net profits and $204 million in future cash over a 30 year horizon, with a Net Present Value of $123 million. Details of their evaluation are included within Attachment 4, which has been updated since the November 18, 2019 Executive Committee meeting to include:

- Applicable start dates have been adjusted from 2019 to 2020;
- The Market Overview reflects the most current market information; and
- Net Present Values have been updated and reflect additional feedback from REAC.

To maximize return on investment and access to funds for City Building objectives, PwC continues to recommend development of the remaining greenfield residential land. If the remaining greenfield residential lands are sold as-is without further development, PwC projects gross sales revenue of $85 million over the next two years, assuming all sales revenue is paid to the City and no revenue goes back to the development program. Based on the timing of the project sales, the Net Present Value of $85 million is $78 million.

PwC also evaluated the entire development portfolio for how it could best support the City's access to funds. The assessment assumes the program would develop all its existing holdings, with industrial land development continuing as planned and residential land development proceeding as recommended. With this approach, the land development program would pay the City a special dividend out of surplus revenue to catalyze other key city building areas.

The special dividend would be paid out in addition to the dividend paid under the current Land Enterprise Dividend Policy (C516B). In order to create a special dividend, Policy C516B must be updated, as outlined in CR_7122. This approach would generate approximately $274 million in total dividends until 2049, when all the existing land within the program will have been developed and sold. The Net Present Value of $274 million is $171 million. All projections are estimated within a 10 to 15 percent range of certainty. The proposed revisions to Policy C511, which include an updated governance model and regular discussions with REAC, were also outlined in CR_7122. These changes would enable the land development program to better respond to changes to the market.

Civic Investment Vehicle

In response to the motion made at the November 18, 2019, Executive Committee, Administration evaluated the potential of approximately $85 million in sales revenue if the remaining greenfield residential lands were sold as-is in the short term. The evaluation included three civic investment fund models applying scenarios of:

1. Investment with no cash withdrawals;
2. Investment with annual cash withdrawals equal to accrued interest; and
3. Investment with annual cash withdrawals equal to the total dividend (special and existing dividend under the Land Enterprise Dividend Policy (C516B)) proposed by development of the remaining greenfield residential land.

Generally as investment risk increases, the expected rate of return increases. Higher rates of return also often require a longer period of investment. Administration considered the following civic investment funds with varying rates of return and risk:

- A portfolio of primarily money market investments is projected to return 2.5 to 3 percent per year. The fund typically requires a minimum investment time of one year. Investment in this type of portfolio will reduce market volatility, be more predictable and consistent, but will limit expected investment returns.
- The City's Balanced Fund is a long-term investment vehicle for operating and capital reserve funds, deferred revenue accounts and other similar funds. It is projected to return between 5.5 and 6 percent annually over the next 5-20 years. The fund typically requires an investment time of greater than five years to improve the likelihood that the projected returns will be realized. There is greater flexibility to withdraw money invested in the Balances Fund, but these funds are subject to capital market volatility year-over-year.
- The Ed Tel Endowment Fund operates pursuant to the Ed Tel Endowment Bylaw 11713, with a dividend paid based on a prescribed formula. An amendment to Bylaw 11713, including a non-statutory public hearing and public advertising, will be required to allow for investment of $85 million into the Ed Tel Endowment Fund. Strategic access to the funds will also be limited. While the Ed Tel Endowment Fund has returned 7.9 percent on average annually over the past 25 years, projected future returns are between 6.5 and 7 percent, assuming an investment time of 10 years or more.

The following table outlines the Net Present Value (NPV) of each investment option and scenario to 2049. As noted earlier in this report, the Net Present Value of developing the greenfield residential land is estimated at $123 million. All projections are estimated within a 10 to 15 percent range of certainty.

	Scenario 1 - No withdrawals until 2049 (NPV)	**Scenario 2 - Withdrawals equal to Accrued Interest (NPV)**	**Scenario 3 - Withdrawals equal to special dividend (residential portion only, NPV)**

Money Market Fund	$56.9 million	$63.5 million	$76.1 million[1]
Balanced Fund	$129.6 million	$104.1 million	$87.8 million[2]
Ed Tel Endowment Fund	$169.7 million	$117.7 million	$92.9 million[2]
[1] The fund runs out of money in 2028 [2] The fund runs out of money in 2032			

If funds are withdrawn from the investment vehicle to support city building objectives, the return on the investment would not be as high as development of existing greenfield residential lands. The dividend and special dividend paid from continued development will provide a higher return than any investment scenario that withdraws funds before 2049.

Next Steps

Administration will return to City Council in Q4 2020 with updates to the Land Development Policy (C511) and the Land Enterprise Dividend Policy (C516B) to facilitate the special dividend. A timeline is included in Attachment 10. Administration will initiate the recommended disposition strategy and continue residential lot development during the 2019-2022 budget cycle, with regular updates to REAC and City Council. Industrial/commercial lot development will continue as planned. Regular reporting will enable responses to market changes, including evaluations of whether to sell or develop specific holdings in the future.

Budget/Financial Implications

Land development programs are one of the few revenue tools available to municipalities. The ELD program is projected to pay $1.9 million in annual dividends over the 2019-22 budget cycle in accordance with Policy C516B. If current land development activities are stopped, Administration must determine an alternative funding source to offset the reduction in projected dividend payments starting in 2022. Decreased land development activities will also impact the Operating Budget tax levy as the levy recovers approximately $1.14 million of costs annually from the program ($4.59 million total over the 2019-22 budget cycle) for lease costs, parking, real estate and financial personnel support.

The current pause on greenfield residential land development activities has caused a lost year of residential lot development activity, delaying projected revenue and the 2022 ELD dividend payment.

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 Budget projections and fund outstanding contractual commitments. Transfering $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 Attachment 4. If the recommendation is approved, the remainder of capital profile CM-16-2010, Industrial-Commercial-Investment Land Development, and the remainder of capital profile CM-16-2020, Residential/Mixed-Use Land Development, will be released. These capital profiles are funded by ELD's retained earnings within Land Enterprise and do not require tax levy funding.

Public Engagement

Public engagement was not completed for this report. However, the recommendation to Council is based on a comprehensive program review informed by research and insights from two external consultants, as well as feedback from REAC. The report is also informed by an optional, confidential online questionnaire completed by all registrants as part of the 2019 residential lot draw process (Attachment 6). As the program continues, Administration will continue to involve stakeholders to enhance the City's land development decision making.

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 / $2.127M 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	Likeli hood	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. Other Previous Council Actions
2. Map of ELD's Holdings
3. Real Estate Advisory Committee (REAC) What We Heard
4. PwC Land Disposition Options Report
5. Recommended Themes for an Update Policy C511 - Executive Summary
6. Meadows of Laurel Profile
7. Response to REAC's Additional Questions (Public)
8. Response to REAC's Additional Questions (Private)
9. Definitions Document - Supporting Definition Document Alongside Land Governance Strategy Report
10. Timeline Diagram

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

Other Previous Council Actions

At the September 10, 2019, City Council meeting the following motion was passed:

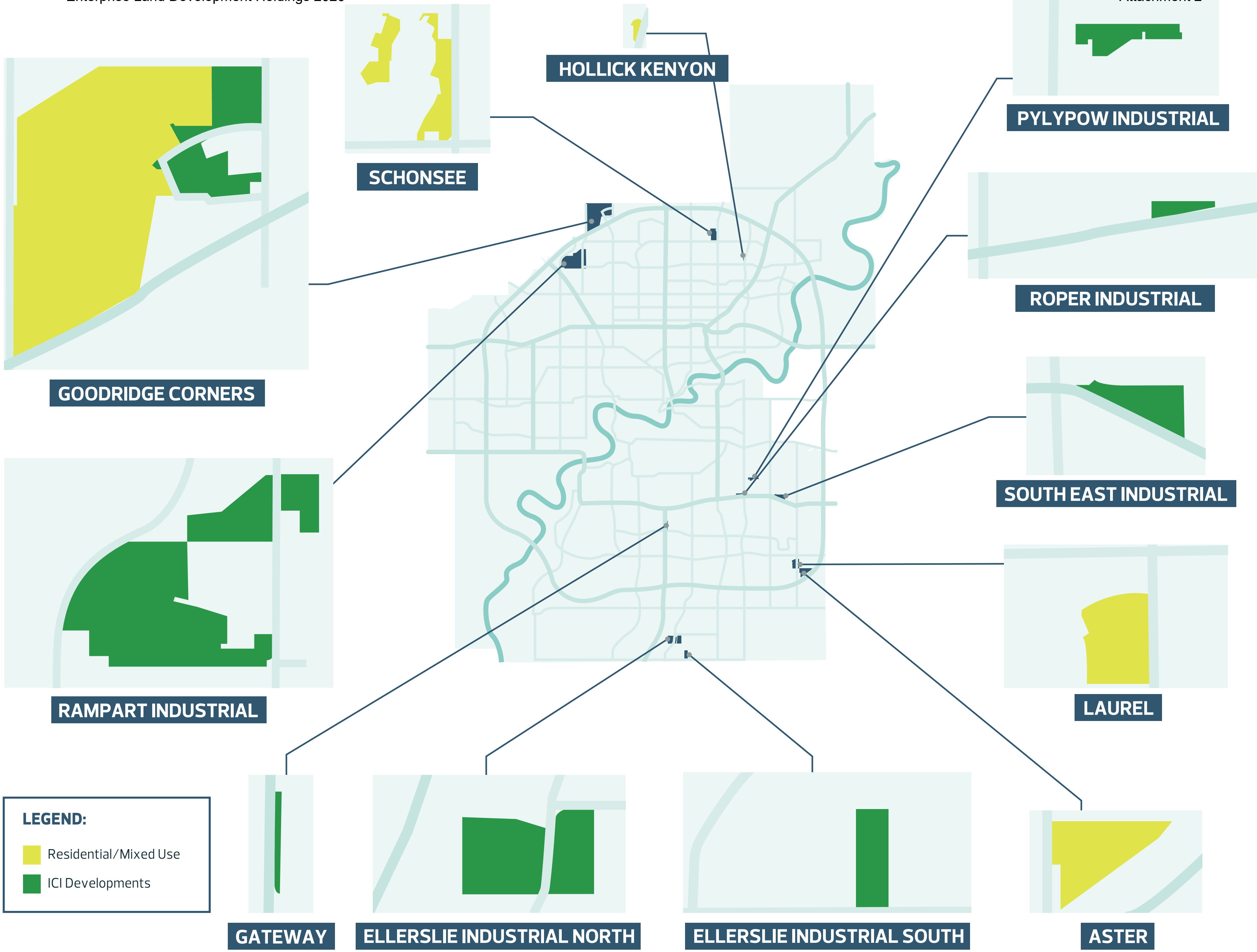
> That, as part of the next Land Governance Strategy Update, currently scheduled for the November 18, 2019, Executive Committee meeting, Administration report on the possibility of employing Special Economic Zones (urban reserves) as a mechanism for development on the City of Edmonton-owned land parcels.

At the April 2, 2019, City Council meeting the following motions were 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.


HOLLICK KENYON
SCHONSEE
PYLYPOW INDUSTRIAL
GOODRIDGE CORNERS
ROPER INDUSTRIAL
SOUTH EAST INDUSTRIAL
RAMPART INDUSTRIAL
LAUREL
LEGEND:
Residential/Mixed Use
ICI Developments
GATEWAY
ELLERSLIE INDUSTRIAL NORTH
ELLERSLIE INDUSTRIAL SOUTH
ASTER

May to October, 2019

Edmonton

Attachment 3

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, Kinistinaw, 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
MEADOWS OF LAUREL
ASTER
ELLERSLIE NORTH
ELLERSLIE SOUTH
LEGEND:
Greenfield Industrial
Greenfield Residential
City of Edmonton

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**	• 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**	• 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**	• 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**	• 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**	• 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
Goodridge Corners **Amend the plan to remove the business area in the NE and shift the town center**	▪ 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
SE Industrial	▪ 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
River Crossing **Upcoming reports and decisions**	▪ 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)
Exhibition Lands	▪ 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
Quarters	▪ 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

Attachment 4

City of Edmonton

Options for Disposing of City-Owned Greenfield Residential Development Lands

UPDATE REPORT

February 11, 2020

pwc

Contents

1 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.

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.

Attachment 4

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.

- The foregoing culminated in the identification of a recommended disposition option(s) for each of ELD's greenfield residential land development projects.
- PwC issued its report on October 7, 2019 and presented its findings to the City's Executive Committee of Council on November 18, 2019.

February 6, 2020 update report

- Following the November 18, 2019 Executive Committee of Council meeting, ELD requested that PwC update its October 7, 2019 report to reflect the following:
  - update the "Market Overview" section to reflect current information pertaining to Edmonton's economic outlook and residential development (through November 2019);
  - update the "Disposition Option Analysis" section to reflect potential timing and cost changes to various land development assumptions; and
  - update the "Impact Assessment" section to reflect the updated results from the "Disposition Option Analysis".
- The reader should note that no adjustments were made to the timing or values associated with the "Quick Sale" scenario.

Use of the report

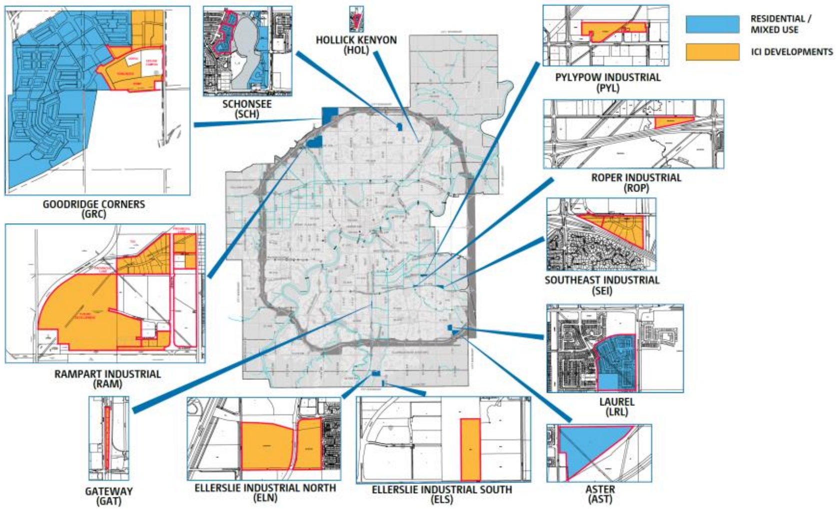
- The report prepared by PwC in support of RFPS #2019-07 has been prepared for the exclusive use of the City of Edmonton and its Enterprise Land Development division.
- PwC owes no duty of care to any other party or any party gaining access to PwC's report. PwC accepts no responsibility for any claims, 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.

2 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".



Source: City of Edmonton

Attachment 4

About ELD

About Enterprise Land Development (continued)

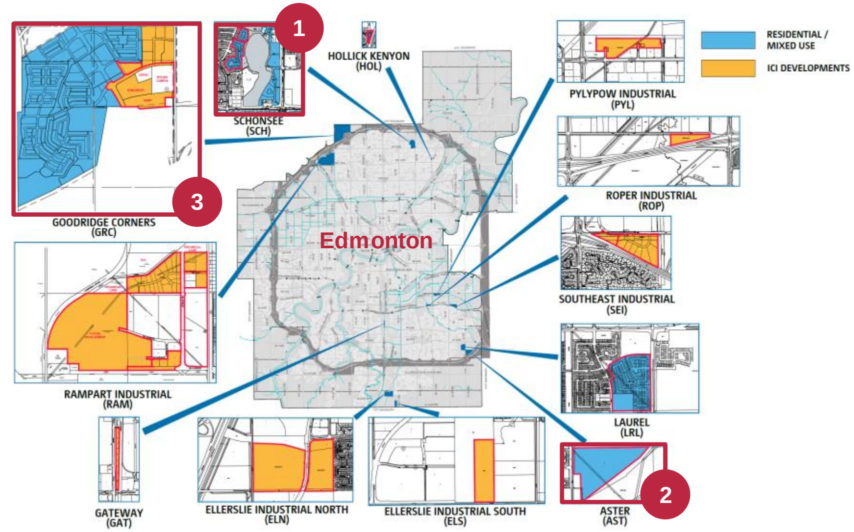
- Per RFPS #2019-07, the purpose of this Report was to provide Council with a clear understanding of the financial impacts of selling off City-owned residential development lands and using the proceeds from those transactions for various "city building" projects, including in particular its planned Rossdale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

ELD's greenfield residential land development holdings

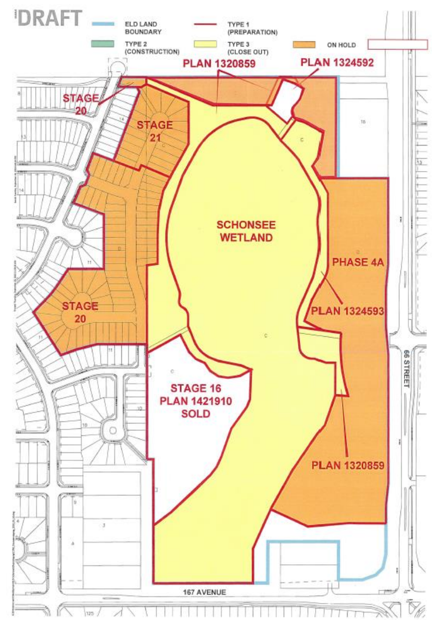
- Per RFPS #2019-07, the scope of work is focused on ELD's greenfield residential development land holdings, namely Schonsee, Aster and Goodridge Corners. Laurel, nearly fully developed and in the process of being marketed and sold, and Hollick Kenyon, given it has been transferred to Habitat for Humanity, 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

Attachment 4

About ELD

Schonsee (continued)

Schonsee Land Summary				
	Zoning			
Stage	Current	Future (1)	Acres (2)	Lots (3)
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				
	Zoning			
Dwelling Type	Current	Future (1)	Acres (2)	Lots (3)
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

Attachment 4

About ELD

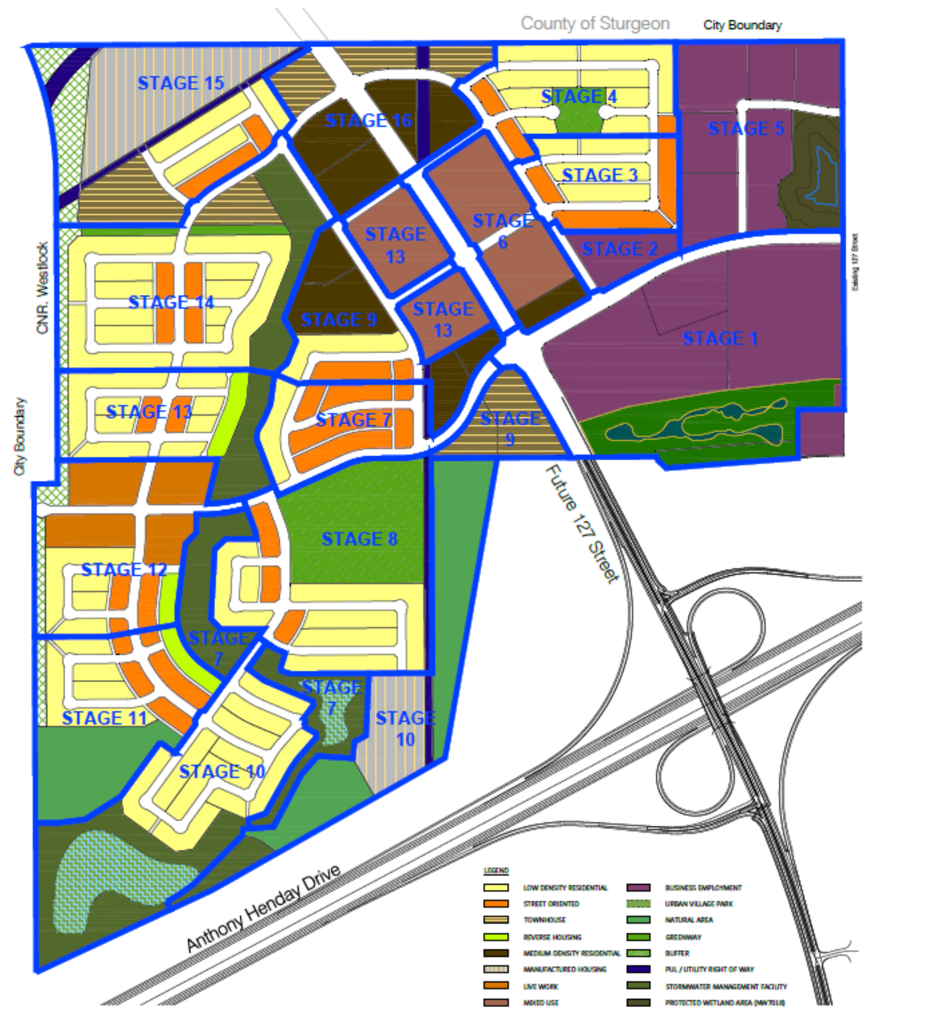
Goodridge Corners

- 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

	Acres by Use[(1)]					
Stage	**LD[(2)]**	**MD[(2)]**	**LRA[(2)]**	**Mixed-Use**	**Total**	**Lots[(3)]**
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

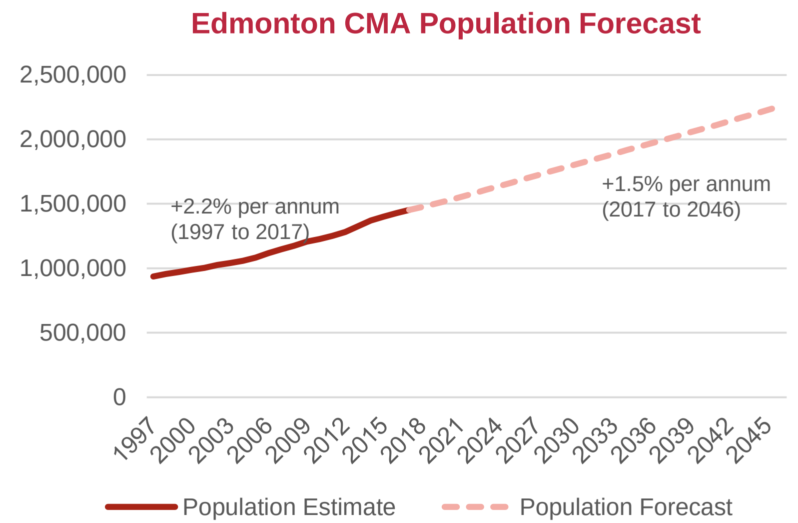
3 Market Overview

Attachment 4

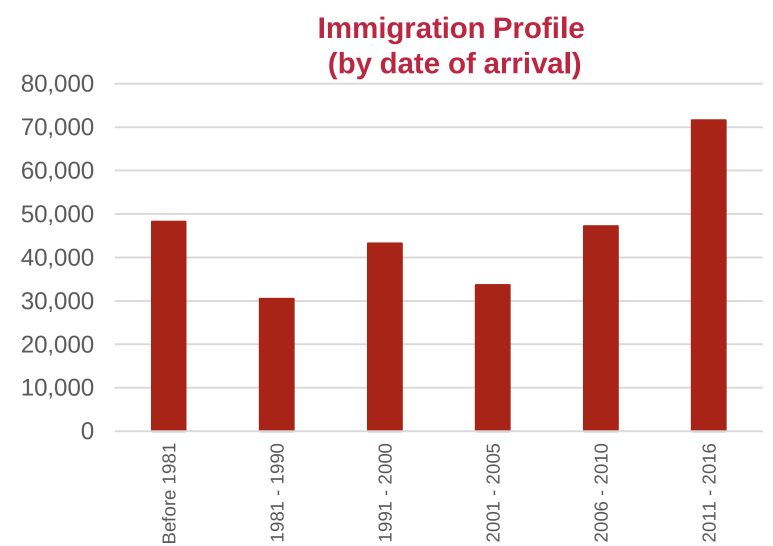
Market Overview

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.



Source: Alberta Treasury Board and Finance



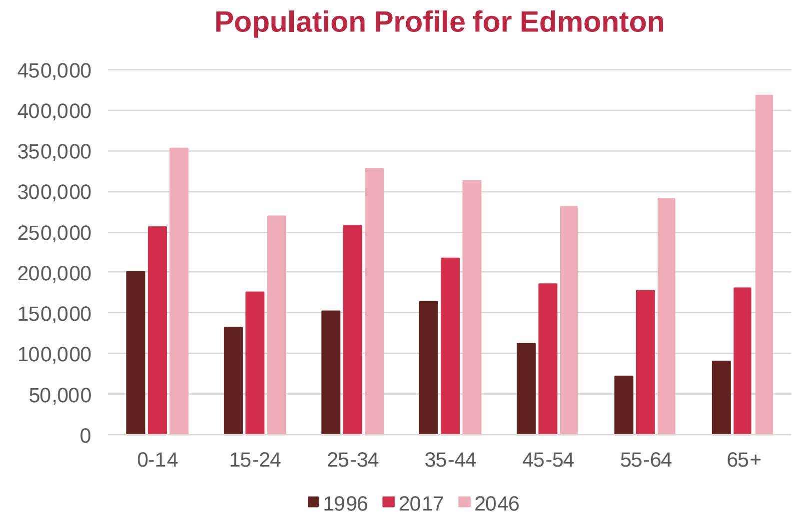
Source: Statistics Canada

Attachment 4

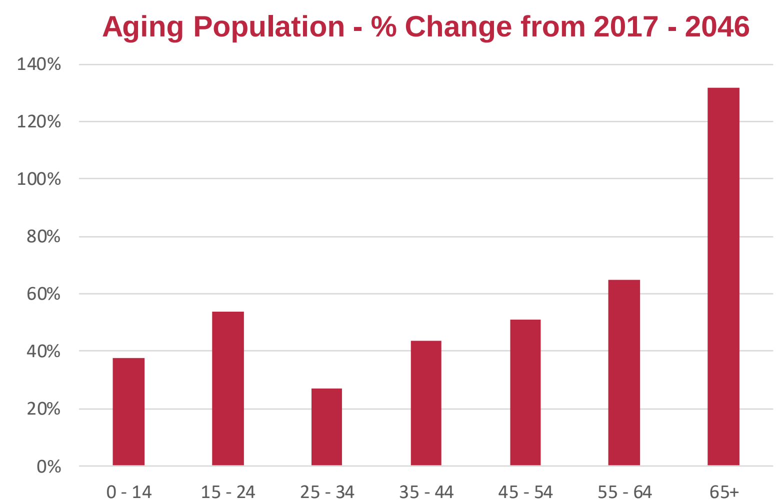
Market Overview

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 in the younger age cohorts, is expected to drive demand for traditional single family homes.



Sources: Statistics Canada and Alberta Treasury Board and Finance



Sources: Alberta Treasury Board and Finance

Attachment 4

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 3.1% increase year-over-year.
- GDP growth of 1.9% was reported in 2018, with a slight contraction of -0.4% estimated for 2019 with oil production cuts continuing to hamper the energy sector. GDP is forecast to grow by 2.2% in 2020 as a result of improving overall economic conditions.
- Industries such as transportation/warehousing and wholesale trade are expected to struggle as employment is forecast to decrease 5.7% and 2.6%, 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 expected to decrease to approximately 9,300 units in 2019, marking a second consecutive year of decreasing outputs.
- Edmonton's residential market continued to experience a supply glut, with YoY completed and unabsorbed units showing a 26% increase as of August 2019; an improving economy in 2020 is expected to jumpstart the residential construction market, with an estimated 10,600 starts expected to occur.
- 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)

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 $ millions)	313,004	327,379	335,106	332,444	339,237	350,391	357,792	365,329
YoY (%)	-4.1	4.6	2.3	-0.8	2.0	3.3	2.1	2.1
Total employment (000's)	2,265	2,289	2,331	2,351	2,378	2,425	2,475	2,520
YoY (%)	-1.6	1.0	1.9	0.8	1.1	2.0	2.1	1.8
Unemployment rate (%)	8.1	7.8	6.6	6.7	7.1	6.7	6.3	6.2
Household income per capita ($)	53,440	54,459	55,061	56,020	57,587	59,478	61,576	63,437
YoY (%)	-9.2	1.9	1.1	1.7	2.8	3.3	3.5	3.0
Population (000's)	4,189	4,239	4,300	4,372	4,443	4,516	4,590	4,666
YoY (%)	1.3	1.2	1.4	1.7	1.6	1.6	1.7	1.6
Single-family housing starts (000's)	11.4	14	11.7	9.8	11.7	13.0	12.4	11.8
YoY (%)	--	22.8	-16.4	-16.2	19.4	11.1	-4.6	-4.8
Multi-family housing starts (000's)	13.1	15.5	14.4	14.0	17.0	19.9	20.6	21.4
YoY (%)	--	18.3	-7.1	-2.8	21.4	17.1	3.5	3.9
Retail Sales ($ millions)	74,997	80,318	81,911	82,886	86,732	91,105	95,782	100,020
YoY (%)	-1.1	7.1	2.0	1.2	4.6	5.0	5.1	4.4
CPI (2002 = 1.000)	1.352	1.373	1.406	1.434	1.460	1.488	1.518	1.549
YoY (%)	1.1	1.5	2.5	1.9	1.9	1.9	2.0	2.0

Source: Conference Board of Canada

Economic Indicators (Edmonton CMA)

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2012 $ millions)	92,304	95,182	96,991	96,618	98,740	101,526	103,624	105,922
YoY (%)	-3.5	3.1	1.9	-0.4	2.2	2.8	2.1	2.2
Total employment (000's)	761	764	783	795	800	816	831	845
YoY (%)	0.0	0.4	2.5	1.5	0.6	2.0	1.8	1.7
Unemployment rate (%)	7.4	8.0	6.5	7.1	7.1	6.5	6.3	6.2
Household income per capita ($)	52,668	54,678	55,544	55,774	56,911	58,617	60,454	62,058
YoY (%)	-8.5	3.8	1.6	0.4	2.0	3.0	3.1	2.7
Population (000's)	1,364	1,391	1,421	1,448	1,473	1,499	1,525	1,552
YoY (%)	1.9	2.0	2.2	1.9	1.7	1.8	1.7	1.8
Total housing starts (000's)	10,036	11,435	10,038	9,335	10,567	12,146	12,239	12,338
YoY (%)	--	13.9	-12.2	-7.0	13.2	14.9	0.8	0.8
Retail Sales ($ millions)	26,098	28,693	29,604	30,125	31,540	32,986	34,667	36,243
YoY (%)	-1.1	9.9	3.2	1.8	4.7	4.6	5.1	4.5
CPI (2002 = 1.000)	1.349	1.371	1.408	1.435	1.462	1.49	1.519	1.550
YoY (%)	1.1	1.6	2.7	1.9	1.9	1.9	1.9	2.0

Source: Conference Board of Canada

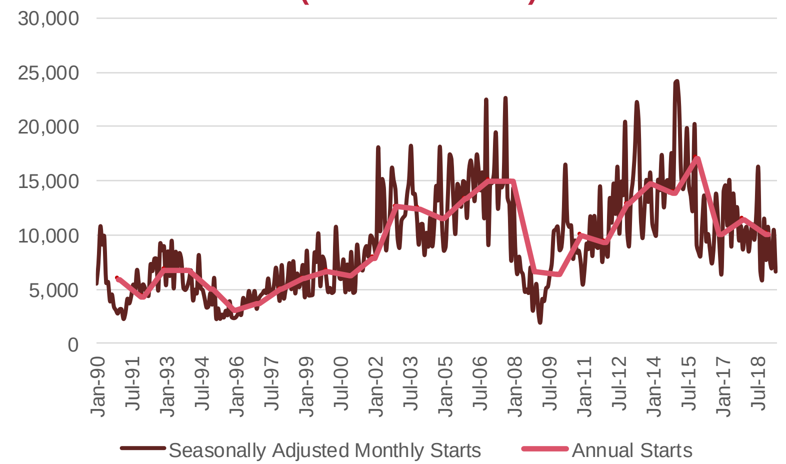
Attachment 4

Market Overview

Residential Construction

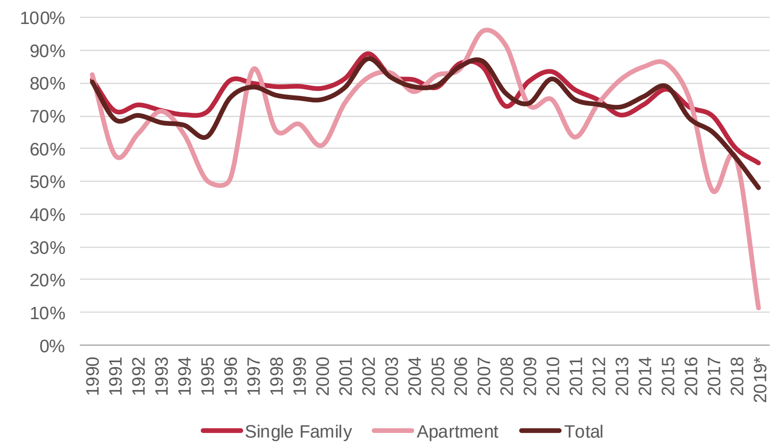
- Total housing starts in the Edmonton CMA market totaled slightly over 10,000 units in 2018, a 10% decline over 2017. There were 9,978 total units constructed in 2019 as at November 30, projecting to end the year slightly above 2018 totals. Total housing starts have ranged between just above 6,200 units (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 2019.
- 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, with over 45% of completed units remaining unabsorbed as of November 2019. 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 and 47.9% as of November 2019.
- 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 recovering economy.

Housing Starts (Edmonton CMA)



Source: Canada Mortgage and Housing Corporation

Unit Absorption (% of units absorbed at completion)



Source: Canada Mortgage and Housing Corporation

Attachment 4

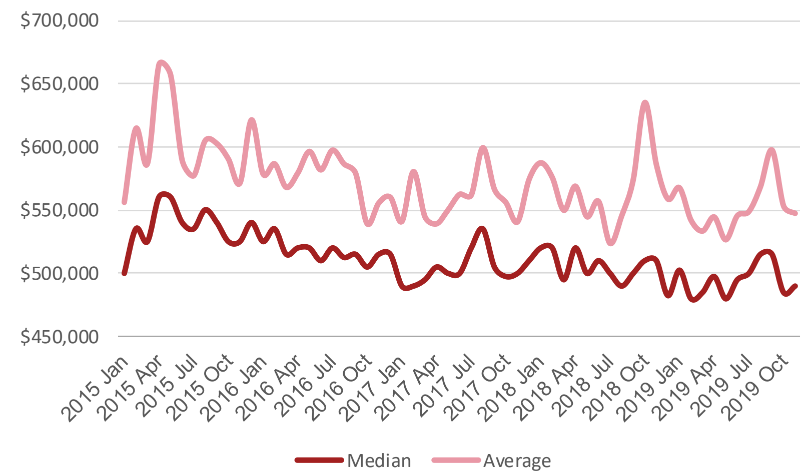
Market Overview

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, hovering between $545,000 and $565,000 through 2019. New single family home prices are projected to average $555,000.
- Based on information published by CREA and the CMHC, it would appear 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 resale single family and condominium properties, it would appear that the average new condominium unit price could approximate $285,000.
- As per the CMHC's housing market assessment for the Edmonton CMA released in Q4 2019, 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.

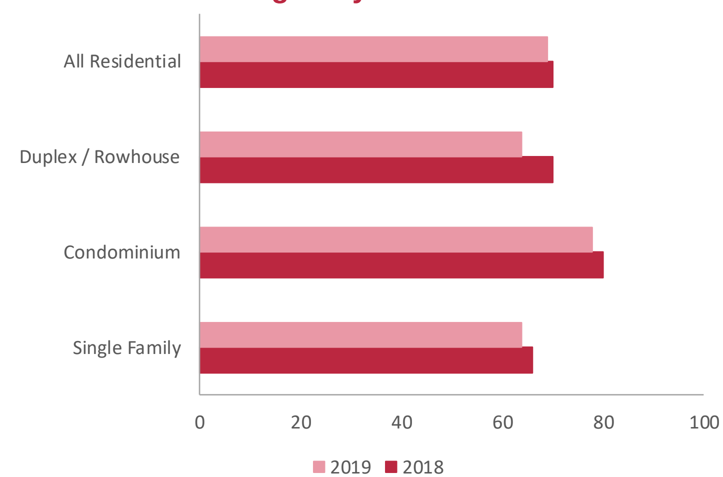
Based on the foregoing, the Edmonton housing market appears to have been experiencing a softening driven broadly by the energy sector. This has ultimately put downward pressure on disposable incomes, resulting in, among other things, decreased spending. The housing sector has also been affected, with 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)



Source: Canada Mortgage and Housing Corporation

Average Days on Market



Source: REALTORS Association of Edmonton

4 Disposition Option Analysis

Attachment 4

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 where 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, agricultural 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 agricultural).
  - ***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

Attachment 4

Disposition Option Analysis

Schonsee (continued)

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.

- 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 rates of 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands applied to assessed values.
- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home. Farmable land value is assessed at $350 per acre, with the resulting assessed value being taxed at the City's municipal tax rate for residential / farmland of 0.64737%. Non-farmable land is assessed and taxed at market value.
- 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 ($24.7 million) and discounted ($14.2 million) basis.
  - Option 2 (Quick Sale) is projected to yield the greatest net return percentage (an IRR of 23.2%). 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 20.9%). Option 4 is also concluded to be superior to Option 3.

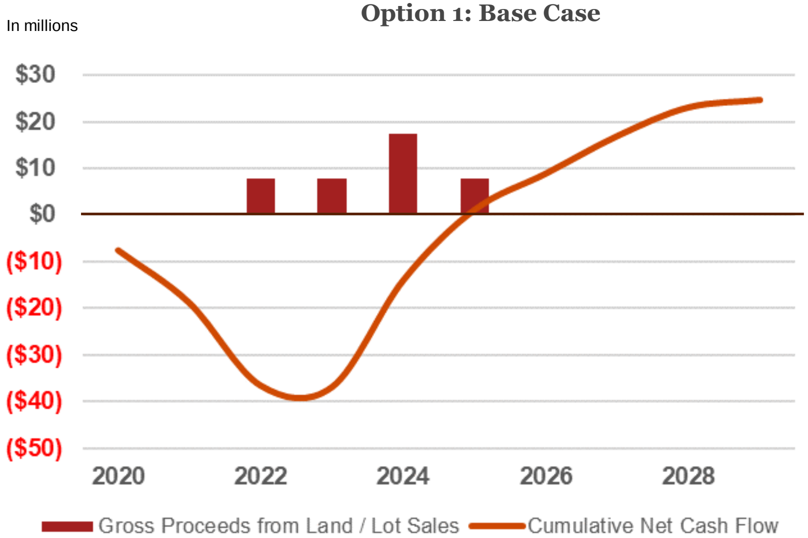
Option 1 (Status Quo)	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Proceeds from Sales	32,950,000	7,830,000	$0	$0	$0	$0	$40,780,000
Net Income	**($13,910,000)**	**38,630,000**	**$0**	**$0**	**$0**	**$0**	**$24,720,000**
Option 2 (Quick Sale)							
Gross Proceeds from Sales	9,270,000	$0	$0	$0	$0	$0	$9,270,000
Net Income	**1,740,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,740,000**
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	**900,000**	**9,470,000**	**$0**	**$0**	**$0**	**$0**	**$10,370,000**
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	**2,460,000**	**9,470,000**	**$0**	**$0**	**$0**	**$0**	**$11,930,000**

Attachment 4

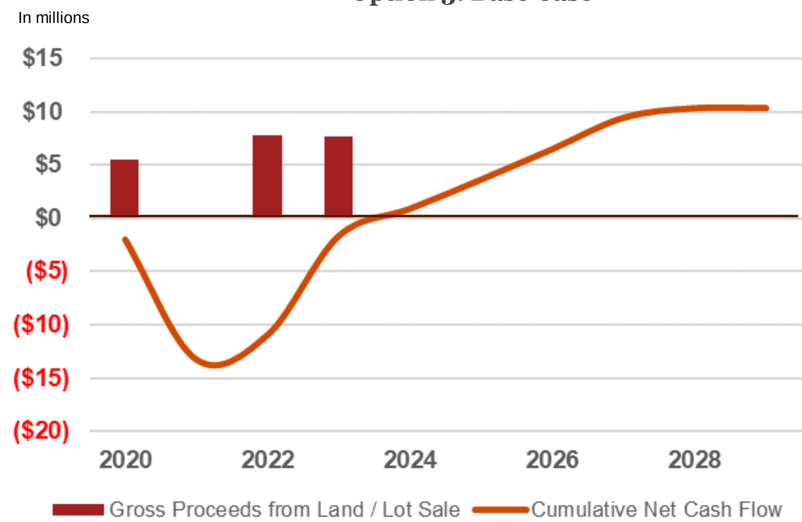
Disposition Option Analysis

Schonsee (continued)

Option 1: Base Case

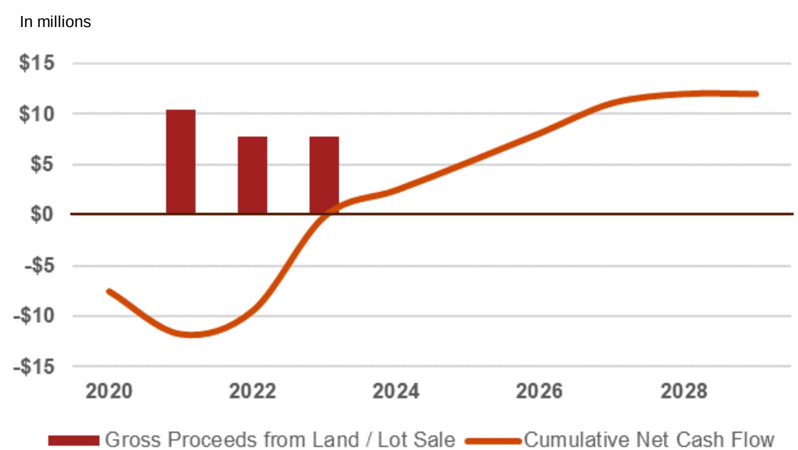


Option 3: Base Case



Option 2: Base Case

Option 4: Base Case



Attachment 4

Disposition Option Analysis

Schonsee (continued)

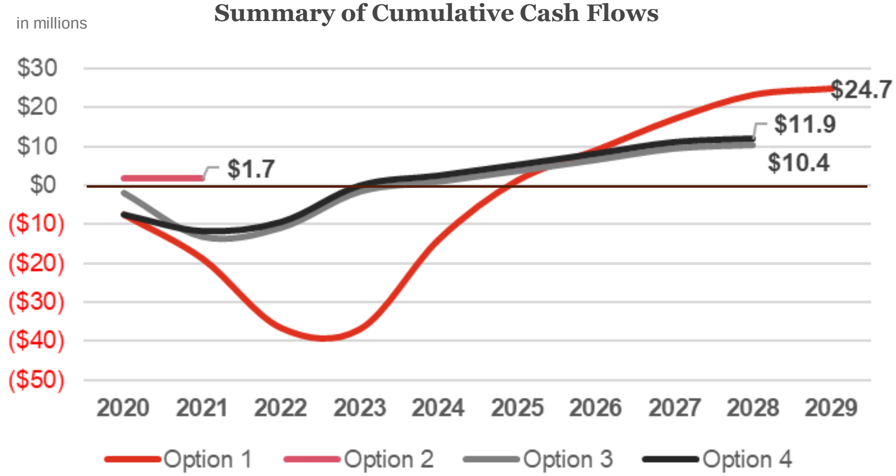
Summary of Financial Impacts

in millions

Option	Proceeds (Undiscounted)	Proceeds (Discounted)[1]	Disposable Cash Proceeds from Sale or Dev (Undiscounted)[4]	Disposable Cash Proceeds from Sale or Dev (Discounted)[1][4]	IRR	Timeline[2]	Tax Revenue (Discounted)[1][3]	Total Proceeds + Tax Revenue (Discounted)[1][3]
1	$24.7M	$14.2M	$32.3M	$21.5M	13.6%	6 yrs	$12.99M	$27.2M
2	$1.7M	$1.4M	$9.3M	$8.9M	23.2%	1 yr	$13.00M	$14.4M
3	$10.4M	$7.2M	$17.9M	$6.9M	19.7%	4 yrs	$12.89M	$20.1M
4	$11.9M	$8.1M	$19.5M	$8.1M	20.9%	4 yrs	$12.89M	$21.0M

(1) Discounted at 4.0% annually
(2) From 2020 to sale of last lot or parcel of land (excludes forecasted City recoveries)
(3) Municipal taxes forecasted for a period of 30 years (2020 to 2049)
(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.

- 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. Agricultural 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.

Attachment 4

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 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 rates of 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands applied to assessed values.
- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home. Farmable land value is assessed at $350 per acre, with the resulting assessed value being taxed at the City's municipal tax rate for residential / farmland of 0.64737%. Non-farmable land is assessed and taxed at market value.
- Property taxes have been assumed to increase by 2.0% annually from 2019.

Financial Implications of the Disposition Option Analysis

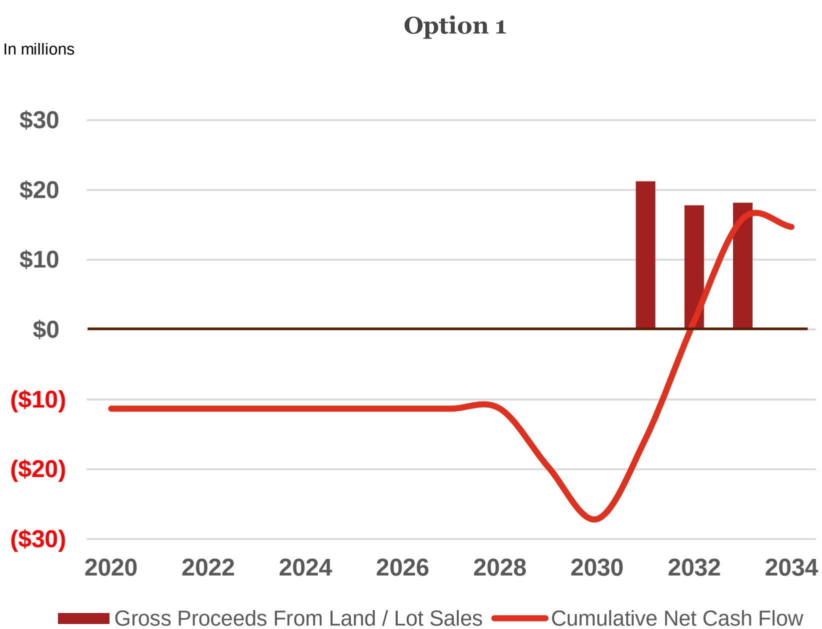
- Based on PwC's evaluation of the four above described Disposition Options, PwC concludes the following:
  - Option 1 (Status Quo) is projected to yield the greatest net proceeds to the City (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) on an undiscounted basis ($14.7 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 ($4.2 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.

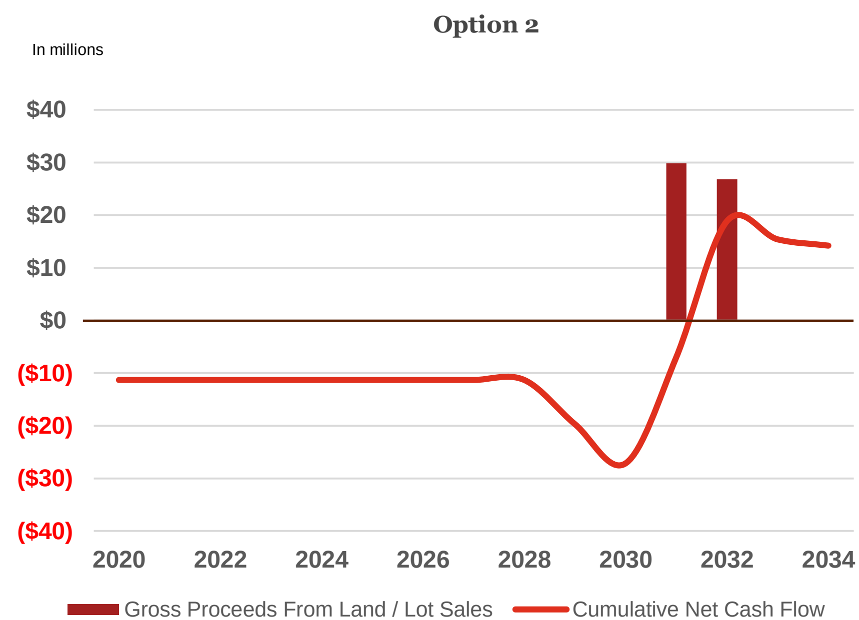
Attachment 4

Disposition Option Analysis

Aster (continued)

Option 1 (Status Quo)	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Proceeds from Sales	$0	$0	$57,210,000	$0	$0	$0	$57,210,000
Net Income	**($11,330,000)**	**($8,400,000)**	**$34,460,000**	**$0**	**$0**	**$0**	**$14,730,000**
Option 2 (Accelerated Absorption)							**Total**
Gross Proceeds from Sales	$0	$0	$56,690,000	$0	$0	$0	$56,690,000
Net Income	**($11,330,000)**	**($8,400,000)**	**$33,930,000**	**$0**	**$0**	**$0**	**$14,200,000**
Option 3 (Quick Sale)							
Gross Proceeds from Sales	$11,210,000	$0	$0	$0	$0	$0	$11,210,000
Net Income	**($120,000)**	**$0**	**$0**	**$0**	**$0**	**$0**	**($120,000)**
Option 4 (Development and sale of 50% of single family land plus the low-rise apartment land; Quick sale of remaining land)							
Gross Proceeds from Sales	$4,060,000	$0	$30,230,000	$0	$0	$0	$34,290,000
Net Income	**($7,270,000)**	**($5,940,000)**	**$18,350,000**	**$0**	**$0**	**$0**	**$5,140,000**



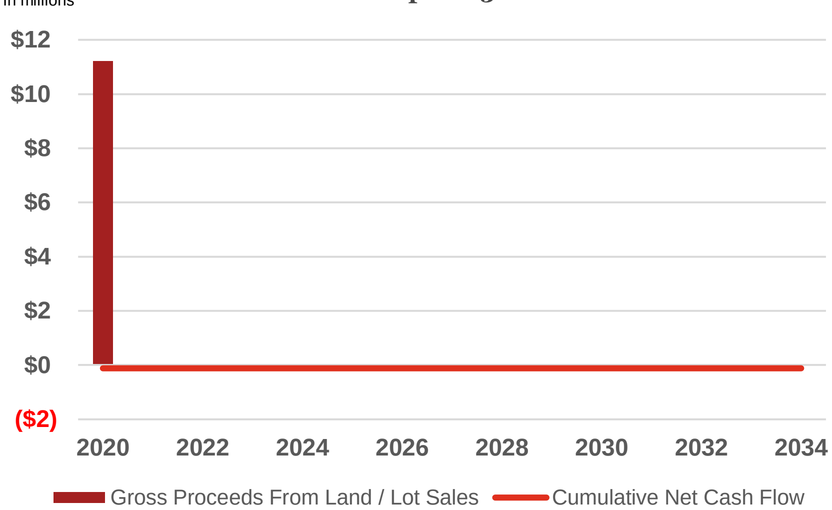


Attachment 4

Disposition Option Analysis

Aster (continued)

Option 3



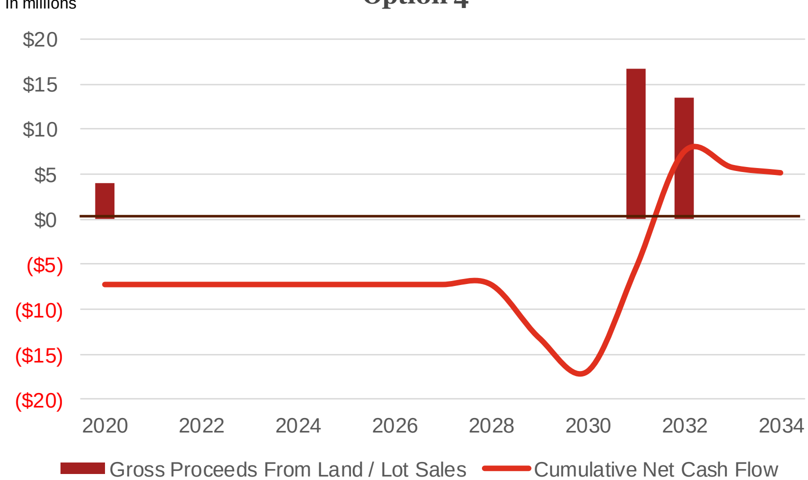
Summary of Financial Impacts

in millions

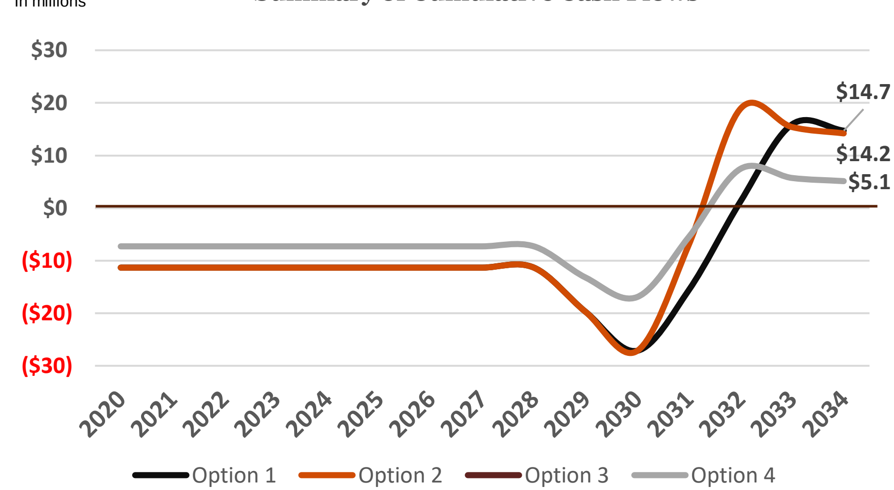
Option	Proceeds (Undiscounted)	Proceeds (Discounted)[1]	Disposable Cash Proceeds from Sale or Dev (Undiscounted)[4]	Disposable Cash Proceeds from Sale or Dev (Discounted)[1][4]	IRR	Timeline[2]	Tax Revenue (Discounted)[1][3]	Total Proceeds + Tax Revenue (Discounted)[1][3]
1	$14.7M	$3.9M	$26.1M	$15.2M	6.2%	14 yrs	$12.19M	$16.1M
2	$14.2M	$4.2M	$25.5M	$15.6M	6.6%	13 yrs	$12.49M	$16.7M
3	($0.1M)	($0.6M)	$11.2M	$10.8M	-	1 yr	$12.54M	$11.9M
4	$5.1M	$0.2M	$16.5M	$11.5M	4.2%	13 yrs	$12.51M	$12.7M

(1) Discounted at 4.0% annually
(2) From 2020 to sale of last lot or parcel of land (excludes forecasted City recoveries)
(3) Municipal taxes forecasted for a period of 30 years (2020 to 2049)
(4) Excludes historical land and other costs incurred to-date

Option 4



Summary of Cumulative Cash Flows



Note: the timelines presented in this graph reflect forecasted City recoveries

Attachment 4

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. The entire Goodridge community is currently zoned AG (agriculture).
- Per information provided by ELD, planning and servicing of the Goodridge Lands are to commence in 2021 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). Agricultural land is 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 agricultural, as it 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 agricultural, as it 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 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 rates of 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands applied to assessed values.

Disposition Option Analysis

Goodridge Corners (continued)

- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home. Farmable land value is assessed at $350 per acre, with the resulting assessed value being taxed at the City's municipal tax rate for residential / farmland of 0.64737%. Non-farmable land is assessed and taxed at market value.
- Property taxes have been assumed to increase by 2.0% annually from 2019.

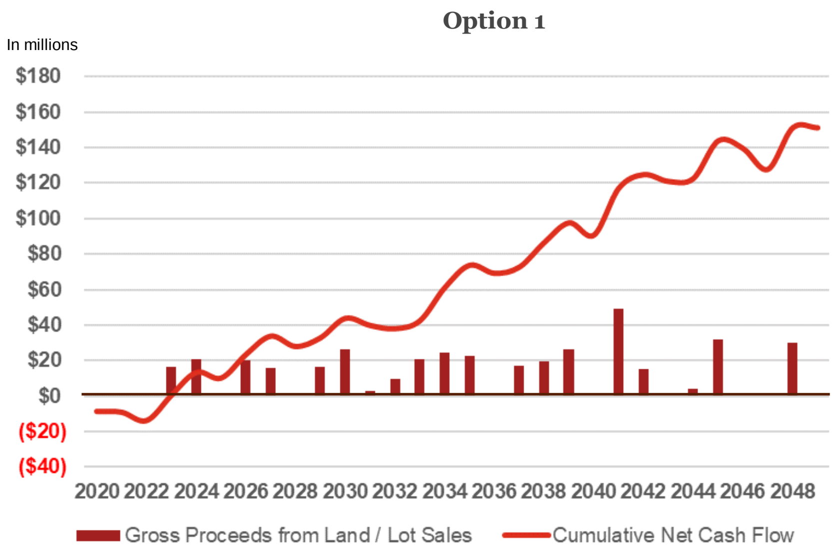
Financial Implications of the Disposition Option Analysis

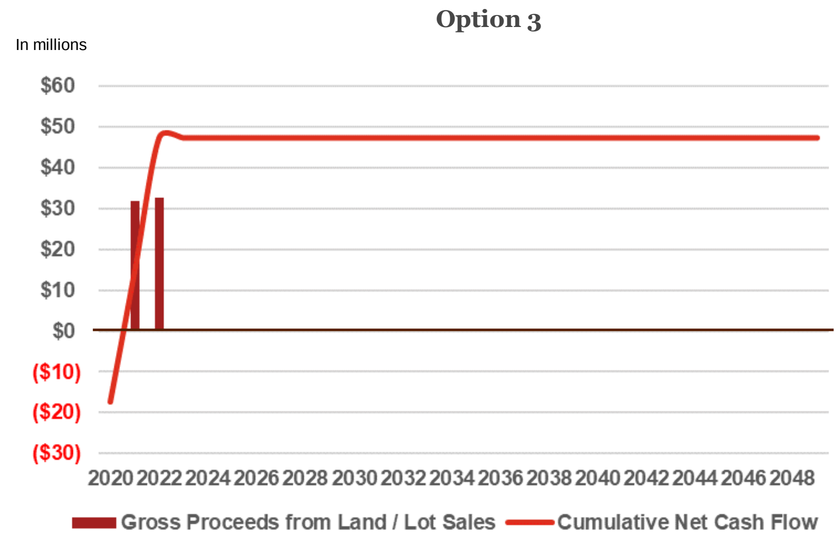
- Based on PwC's evaluation of the four above described disposition options, PwC concludes the following:
  - Option 1 (Status Quo) is projected to yield the greatest net proceeds to the City (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) on an undiscounted basis ($151.2 million).
  - Option 2 (Accelerated Absorption) is projected to yield the greatest net proceeds and tax revenue to the City on a discounted basis ($82.2 million and $62.1 million, respectively) both individually and on aggregate.
  - Option 3 (Quick Sale) is projected to yield the greatest total return percentage (an IRR of 157.3%). However, net proceeds available to the City through this disposition option would be lowest (at $47.1 million on an undiscounted basis / $43.5 million on a discounted basis). 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.

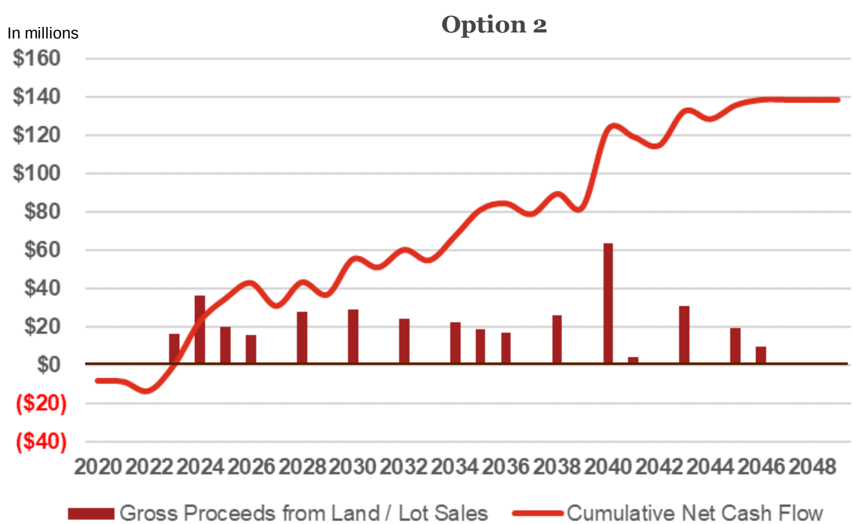
Option 1 (Status Quo)	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Proceeds from Sales	$37,350,000	$52,250,000	$84,050,000	$85,820,000	$69,100,000	$62,120,000	$390,690,000
Net Income	**$13,680,000**	**$19,430,000**	**$28,200,000**	**$36,420,000**	**$24,890,000**	**$28,540,000**	**$151,160,000**
Option 2 (Accelerated Absorption)							
Gross Proceeds from Sales	$52,360,000	$62,610,000	$75,090,000	$61,040,000	$98,470,000	$28,470,000	$378,040,000
Net Income	**$22,750,000**	**$14,020,000**	**$30,550,000**	**$15,130,000**	**$45,900,000**	**$10,160,000**	**138,520,000**
Option 3 (Quick Sale)							
Gross Proceeds from Sales	$64,390,000	$0	$0	$0	$0	$0	$64,390,000
Net Income	**$47,140,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$47,140,000**
Option 4 (Development and sale of Stages 3, 4 and 5; Quick sale of remaining land)							
Gross Proceeds from Sales	$92,820,000	$20,040,000	$0	$0	$0	$0	$112,860,000
Net Income	**$59,170,000**	**$6,770,000**	**$0**	**$0**	**$0**	**$0**	**$65,940,000**

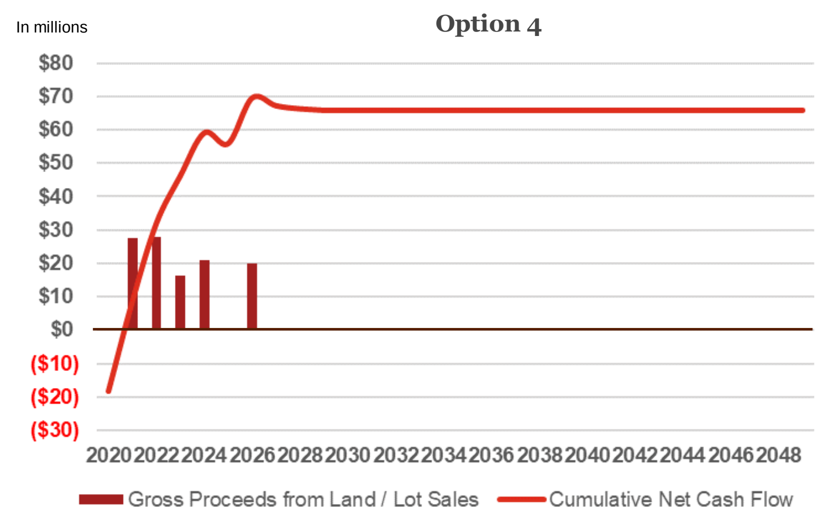
Disposition Option Analysis

Goodridge Corners (continued)









Attachment 4

Disposition Option Analysis

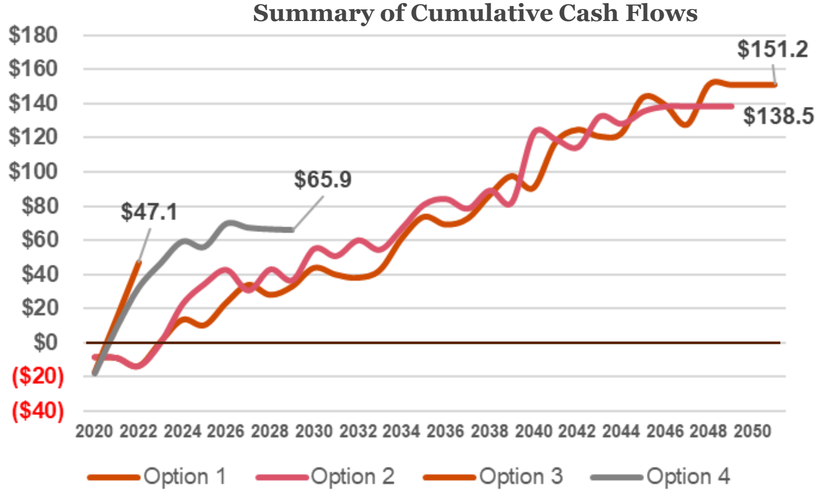
Goodridge Corners (continued)

Summary of Financial Impacts

Option (in millions)	Proceeds (Undiscounted)	Proceeds (Discounted)(1)	Disposable Cash Proceeds from Sale or Dev (Undiscounted)(4)	Disposable Cash Proceeds from Sale or Dev (Discounted)(1)(4)	IRR	Timeline(2)	Tax Revenue (Discounted)(1)(3)	Total Proceeds + Tax Revenue (Discounted)(1)(3)
1	$151.2M	$81.8M	$158.4M	$85.7M	40.4%	29 yrs	$57.21M	$139.0M
2	$138.5M	$82.2M	$145.8M	$86.0M	50.4%	27 yrs	$62.08M	$144.3M
3	$47.1M	$43.5M	$64.4M	$58.4M	157.3%(5)	2 yrs	$62.12M	$105.2M
4	$65.9M	$58.3M	$83.2M	$72.7M	125.9%(5)	6 yrs	$62.11M	$120.0M

(1) Discounted at 4.0% annually
(2) From 2020 to sale of last lot or parcel of land (excludes forecasted City recoveries)
(3) Municipal taxes forecasted for a period of 30 years (2020 to 2049)
(4) Excludes historical land and other costs incurred to-date
(5) The IRRs for Options 3 and 4 increased from 72.1% and 70.0% shown in PwC's October 7, 2019 report, to 157.3% and 125.9%, respectively. This increase is primarily the result of the analysis start date changing from 2019 to 2020.

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 an IRR of 21.8% and net proceeds (after acknowledging upfront property acquisition costs as well as costs associated with planning, subdividing and servicing the lands) in the range of $177.4 million (on an undiscounted basis and $100.6 million on a discounted basis) over the 2020 to 2049 period. Excluding these costs, proceeds are in the range of $203.6 million (on an undiscounted basis and $123.1 million on discounted basis).
- Positive net proceeds are projected to commence starting in 2025 with the five years between 2025 and 2029 expected to generate total net proceeds in the range of $44.3 million based on gross proceeds from land and building lot sales of $70.4 million and net property development expenses of $26.2 million.
- During the 2020 through 2024 period, the recommended options are projected to result in net proceeds of -$2.5 million based on net property development expenses of $87.8 million (including land costs) which would only be partially offset by gross sale proceeds of $85.3 million.
- Between 2030 and 2034, the recommended options are projected to generate net income of $64.5 million, based on projected gross sale proceeds of $131.8 million and net property development expenses of $67.3 million.
- From 2035 and beyond, additional net proceeds of approximately $71.2 million are projected to be generated from the development and sale of land and building lots in Goodridge Corners.

Attachment 4

Disposition Option Analysis

Recommended Options (continued)

SCHONSEE (Option 1)	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Disposable Cash Proceeds from Sales	$32,950,000	$7,830,000	$0	$0	$0	$0	$40,780,000
Net Expenses	($46,870,000)	$30,800,000	$0	$0	$0	$0	($16,070,000)
Net Income	**($13,910,000)**	**$38,630,000**	**$0**	**$0**	**$0**	**$0**	**$24,720,000**
IRR	**13.6%**						

ASTER (Option 2)	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Disposable Cash Proceeds from Sales	$0	$0	$56,690,000	$0	$0	$0	$56,690,000
Net Expenses	($11,330,000)	($8,400,000)	($22,750,000)	$0	$0	$0	($42,490,000)
Net Income	**($11,330,000)**	**($8,400,000)**	**$33,930,000**	**$0**	**$0**	**$0**	**$14,200,000**
IRR	**6.6%**						

GOODRIDGE CORNERS (Option 2)	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Disposable Cash Proceeds from Sales	$52,360,000	$62,610,000	$75,090,000	$61,040,000	$98,470,000	$28,470,000	$378,040,000
Net Expenses	($29,610,000)	($48,590,000)	($44,540,000)	($45,910,000)	($52,570,000)	($18,300,000)	($239,530,000)
Net Income	**$22,750,000**	**$14,020,000**	**$30,550,000**	**$15,130,000**	**$45,900,000**	**$10,160,000**	**$138,520,000**
IRR	**50.4%**						

CONSOLIDATED	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	2045-2049	Total
Gross Disposable Cash Proceeds from Sales	$85,320,000	$70,440,000	$131,770,000	$61,040,000	$98,470,000	$28,470,000	$475,510,000
Net Expenses	($87,810,000)	($26,190,000)	($67,290,000)	($45,910,000)	($52,570,000)	($18,300,000)	($298,080,000)
Net Income	**($2,490,000)**	**$44,250,000**	**$64,480,000**	**$15,130,000**	**$45,900,000**	**$10,160,000**	**$177,430,000**
IRR	**21.8%**						

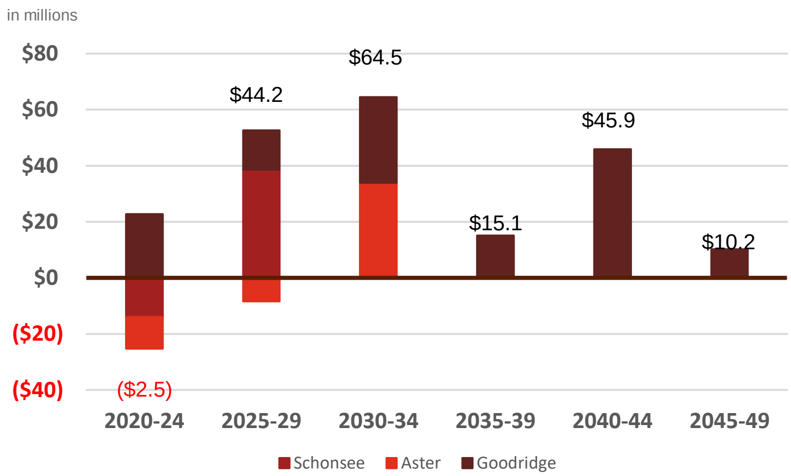
Due to rounding, some numbers presented may not add up precisely to the totals provided

Attachment 4

Disposition Option Analysis

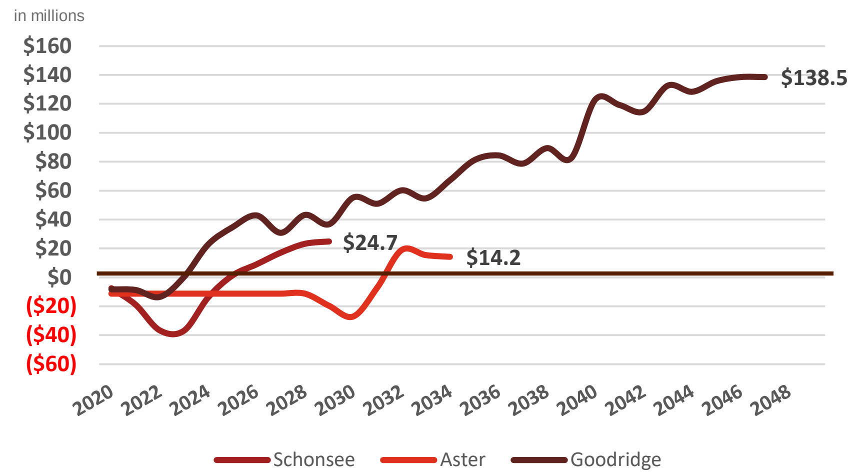
Recommended Options (continued)

Summary of Total Annual Cash Flows - Recommended Options

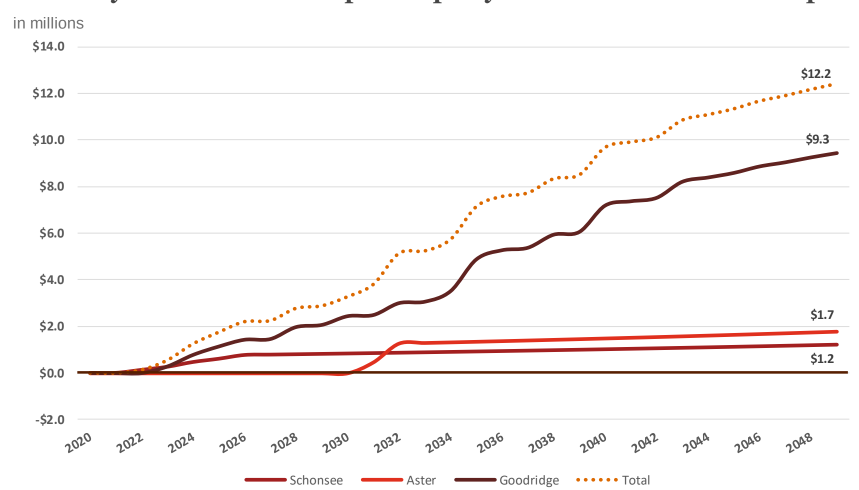


Note: Timelines represented in this graph reflect forecasted City recoveries.

Summary of Cumulative Cash Flows - Recommended Options



Summary of Annual Municipal Property Taxes - Recommended Options



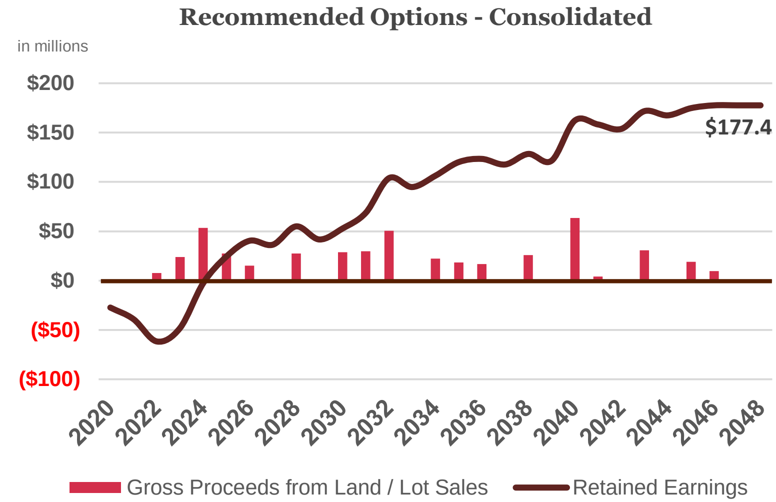
5 Impact Assessment

Attachment 4

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 $177.4 million (undiscounted), over the 2020 to 2049 period, with some $106.2 million being generated between 2020 and 2034.
- 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 $2.5 million between 2020 and 2024, based on gross sale proceeds of $85.3 million offset against development expenses (including land) of $87.8 million;
  - $44.3 million between 2025 and 2029, based on gross sale proceeds of $70.4 million less development expenses of $26.2 million;
  - $64.5 million between 2030 and 2034, based on gross sale proceeds of $131.8 million and development expenses of $67.2 million;
  - $15.1 million between 2035 and 2039, based on gross sale proceeds of $61.0 million and development expenses of $45.9 million;
  - $45.9 million between 2040 and 2044, based on gross sale proceeds of $98.5 million and development expenses of $52.6 million; and
  - $10.2 million between 2045 and 2049, based on gross sale proceeds of $28.5 million and development expenses of $18.3 million.



- 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 $50.5 million over the 2020 to 2049 period, including $9.0 million between 2020 and 2024 and $13.9 million between 2025 and 2029.
- By 2049, ELD is projected to amass retained earnings in the range of $239.5 million.

Projected Land Enterprise Dividend

	2020 - 2024	2025 - 2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2049	TOTAL
Retained Earnings at Start of Year	$21,480,000	$47,030,000	$105,240,000	$181,350,000	$208,280,000	$244,940,000	
Net Income for Dividend Purposes	$35,860,000	$55,460,000	$55,760,000	$25,570,000	$22,190,000	$7,090,000	
Land Enterprise Dividend	**$8,970,000**	**$13,860,000**	**$13,940,000**	**$6,390,000**	**$5,550,000**	**$1,770,000**	**$50,480,000**
Retained Earnings at End of Year	$47,030,000	$105,240,000	$181,350,000	$208,280,000	$244,940,000	$239,500,000	

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

Attachment 4

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 assist in building up and advancing affordable housing stock in the City; and /or
  - to support other city initiatives.

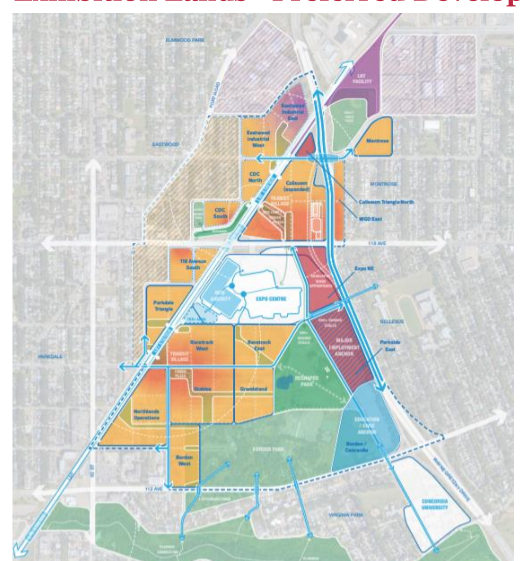
Rossdale and Exhibition Lands

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

Exhibition Lands - Preferred Development Plan



Attachment 4

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 2020 and 2031, with $52.8 million being required through 2025 and an additional $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 amass retained earnings in the range of $239.5 million in 2049, with its retained earnings growing from approximately $21.5 million as at year-end 2019 / start of 2020, to $105.2 million by year-end 2029. Rather than sitting in an operating reserve, some or all of ELD's retained earnings could instead could be used to support the development of Rossdale, Exhibition Lands or other city-building initiatives.
- 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 dividend (the "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 back to the City for such purposes (if retained earnings are less than $30 million, no Special Dividend would be paid).
- Under such a scenario, ELD is projected to be able to advance in the range of $223.7 million (or $138.7 million on a discounted basis) in Special Dividends between 2020 and 2049 to support city-building projects or other projects and programs identified by the City. Such additional dividends are projected to total some $17.0 million between 2020 and 2024, an additional $69.7 million between 2025 and 2029, and almost $137.0 million between 2030 and 2049. On aggregate, ELD is projected to advance $274.2 million (or $170.6 million on a discounted basis) in total dividends between 2020 and 2049.

	2020 - 2024	2025 - 2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2049	TOTAL
Retained Earnings at Start of Year	$21,480,000	$47,030,000	$105,240,000	$181,350,000	$208,280,000	$244,940,000	
Net Income for Dividend Purposes	$35,860,000	$55,460,000	$55,760,000	$25,570,000	$22,190,000	$7,090,000	
Land Enterprise Dividend	**$8,970,000**	**$13,860,000**	**$13,940,000**	**$6,390,000**	**$5,550,000**	**$1,770,000**	**$50,480,000**
Retained Earnings at End of Year	$47,030,000	$105,240,000	$181,350,000	$208,280,000	$244,940,000	$239,500,000	
"Special Dividend"	**$17,030,000**	**$69,670,000**	**$64,650,000**	**$30,490,000**	**$41,840,000**	**$0**	**$223,680,000**
Retained Earnings at End of Year after Special Dividend	$30,000,000	$18,540,000	$30,000,000	$26,440,000	$21,260,000	$15,820,000	
Total Dividend Paid	**$26,000,000**	**$83,530,000**	**$78,590,000**	**$36,880,000**	**$47,390,000**	**$1,770,000**	**$274,160,000**

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

Attachment 4

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., not accounting for land acquisition costs or 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 (or other City initiative), the following implications are noted:
  - Land Enterprise Dividend revenue would decline by an estimated $6.2 million (with this lower revenue projected to occur between 2025 and 2029).
  - "Special Dividend" revenue would decline by an estimated $26.1 million (Special Dividend revenue would be higher by $6.4 million between 2020 and 2024, but would be lower by $41.3 million between 2025 and 2029 and higher by $2.7 million between 2030 and 2034).
  - 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 (or other project) 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 $14.3 million, including a total reduction in Land Enterprise Dividend revenue of $3.6 million and the potential loss of $22.0 million in revenue from the "Special Dividend".
- Finally, the quick sale of 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 $74.7 million, including a total reduction in Land Enterprise Dividend revenue of $29.5 million and a potential reduction in "Special Dividends" of almost $109.6 million.

	Recommended Scenario	Quick Sale of Schonsee	Difference
Revenue from Land Enterprise Dividend	$50,480,000	$44,300,000	($6,180,000)
Special Dividend	$223,680,000	$197,620,000	($26,060,000)
Gross Sale Proceeds	$0	$9,270,000	$9,270,000
Total Impact	**$274,160,000**	**$251,190,000**	**($22,970,000)**

	Recommended Scenario	Quick Sale of Aster	Difference
Revenue from Land Enterprise Dividend	$50,480,000	$46,930,000	($3,550,000)
Special Dividend	$223,680,000	$201,700,000	($21,980,000)
Gross Sale Proceeds	$0	$11,210,000	$11,210,000
Total Impact	**$274,160,000**	**$259,840,000**	**($14,320,000)**

	Recommended Scenario	Quick Sale of Goodridge	Difference
Revenue from Land Enterprise Dividend	$50,480,000	$20,950,000	($29,530,000)
Special Dividend	$223,680,000	$114,080,000	($109,600,000)
Gross Sale Proceeds	$0	$64,390,000	$64,390,000
Total Impact	**$274,160,000**	**$199,420,000**	**($74,740,000)**

Attachment 4

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.

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.
- Per a jurisdictional scan completed by PwC as part of this assignment, 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 PwC's jurisdictional scan, 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.

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);

Attachment 4

Impact Assessment

Advancing the City's affordable housing stock (continued)

Assessment (continued)

- 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 $239.5 million could be allocated to various policies and programs within the City over the 2020 to 2049 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 $56.0 million could be provided over the 2020 to 2049 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 Rossdale and the Exhibition Lands as well as support other City initiatives (including for example, advancing the City's affordable housing stock), 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 2020 to 2024 period, ELD is projected to be able to advance in the range of $9.0 million, and an estimated $50.5 million in total by 2049. 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 $239.5 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. Based on the jurisdictional scan completed by PwC as part of this assignment, it is 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

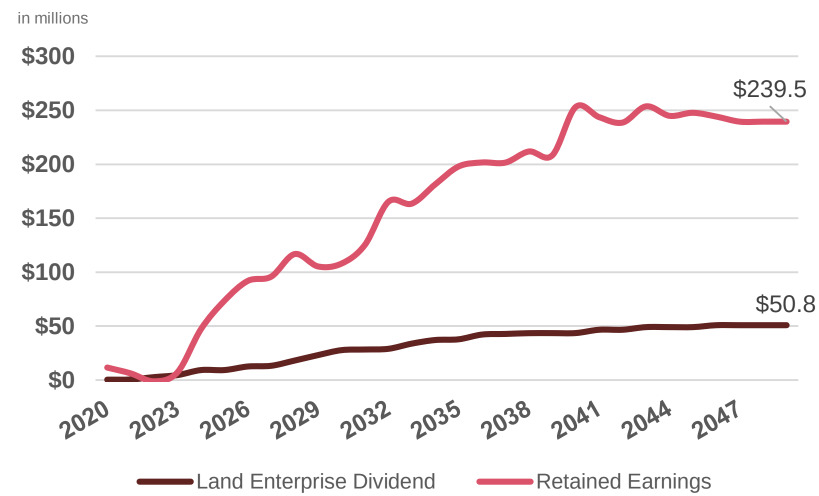
- ELD is projected to generate in the range of $50.5 million for the City through its Land Enterprise Dividend policy by 2049. In addition, ELD is projected to amass $239.5 million in retained earnings over this same time fame; a significant portion of which is generated from land and lots sales associated with ELD's greenfield residential land developments.
- Of this total, an estimated $223.7 million (or $138.7 million on a discounted basis) could be made available through a "Special Dividend".
- These proceeds could be used for a number of purposes including:
  - various city-building initiatives, including Rossdale and the Exhibition Lands;
  - 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.
- On aggregate, ELD is projected to advance $274.2 million (or $170.6 million on a discounted basis) in total dividends between 2020 and 2049.

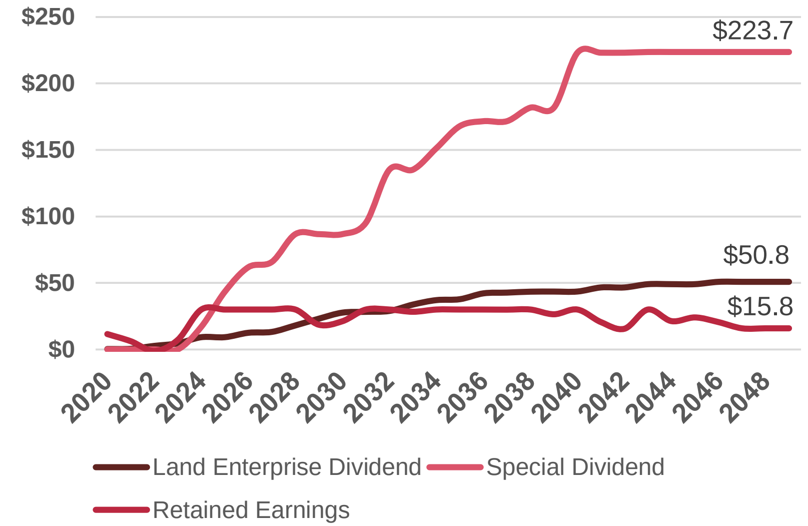
Attachment 4

Impact Assessment

Summary (continued)

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.





Attachment 4

Impact Assessment

Summary (continued)

	2020 - 2024	2025 - 2029	2030 - 2034	2035 - 2039	2040 - 2044	2045 - 2049	TOTAL
Retained Earnings at Start of Year	$21,480,000	$47,030,000	$105,240,000	$181,350,000	$208,280,000	$244,940,000	
Net Income for Dividend Purposes	$35,860,000	$55,460,000	$55,760,000	$25,570,000	$22,190,000	$7,090,000	
Land Enterprise Dividend	**$8,970,000**	**$13,860,000**	**$13,940,000**	**$6,390,000**	**$5,550,000**	**$1,770,000**	**$50,480,000**
Retained Earnings at End of Year	$47,030,000	$105,240,000	$181,350,000	$208,280,000	$244,940,000	$239,500,000	
"Special Dividend"	**$17,030,000**	**$69,670,000**	**$64,650,000**	**$30,490,000**	**$41,840,000**	**$0**	**$223,680,000**
Retained Earnings at End of Year after Special Dividend	$30,000,000	$18,540,000	$30,000,000	$26,440,000	$21,260,000	$15,820,000	
Total Dividend Paid	**$26,000,000**	**$83,530,000**	**$78,590,000**	**$36,880,000**	**$47,390,000**	**$1,770,000**	**$274,160,000**

The “Special Dividend” equals the amount by which ELD’s retained earnings in any year exceed $30.0 million.

Appendices

Attachment 4

Appendix 1: 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.

Attachment 4

Appendix 1: 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.

Attachment 4

Appendix 2: Schonsee – Key Cash Flow Assumptions

- 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 agricultural 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), agricultural 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).
- 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 rates of 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands applied to assessed values.
- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home. Farmable land value is assessed at $350 per acre, with the resulting assessed value being taxed at the City's municipal tax rate for residential / farmland of 0.64737%. Non-farmable land is assessed and taxed at market value.
- 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 2020.

Attachment 4

Appendix 3: Aster – Key Cash Flow Assumptions

- The Aster development project comprises 53 acres to total land area. The lands include several natural water features and wetlands, rendering its gross developable area to be in the range of 48 acres. These lands are currently zoned AG (agriculture).
- The analysis considered an plan amendment scenario whereby stormwater management facilities and natural wetlands are combined into a naturalized constructed wetland. This scenario would yield approximately 45 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. Agricultural 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).
- 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 rates of 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands applied to assessed values.
- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home. Farmable land value is assessed at $350 per acre, with the resulting assessed value being taxed at the City's municipal tax rate for residential / farmland of 0.64737%. Non-farmable land is assessed and taxed at market value.
- 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 2020.

Appendix 4: Goodridge Corners – Key Cash Flow Assumptions

- The Goodridge Corners project comprises approximately 409 acres slated for development over 14 stages (Stages 3 to 16).
- The analysis 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 293.8 acres of gross developable low density residential-zoned land (yielding 1,327 single family lots), 42.5 acres of medium density residential-zoned land, 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 2021 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). Agricultural, 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.
- 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 rates of 0.64737% (residential / farmland) for single family lots and 0.74448% (other residential / multi) for medium density lands applied to assessed values.
- In determining annual property tax obligations, PwC assumed that the assessed value would approximate 100% of the market value of the land / home. Farmable land value is assessed at $350 per acre, with the resulting assessed value being taxed at the City's municipal tax rate for residential / farmland of 0.64737%. Non-farmable land is assessed and taxed at market value.
- 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 2020.

Attachment 4

Appendix 5: 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	
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 2020

Development Costs (per Front Foot)

Development	
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

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.

Building a better working world

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.

Recommended themes for an updated Policy C511

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.

Recommended themes for an updated Policy C511
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

Attachment 5

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

Attachment 5

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

Attachment 5

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.

2019

Edmonton

Attachment 6

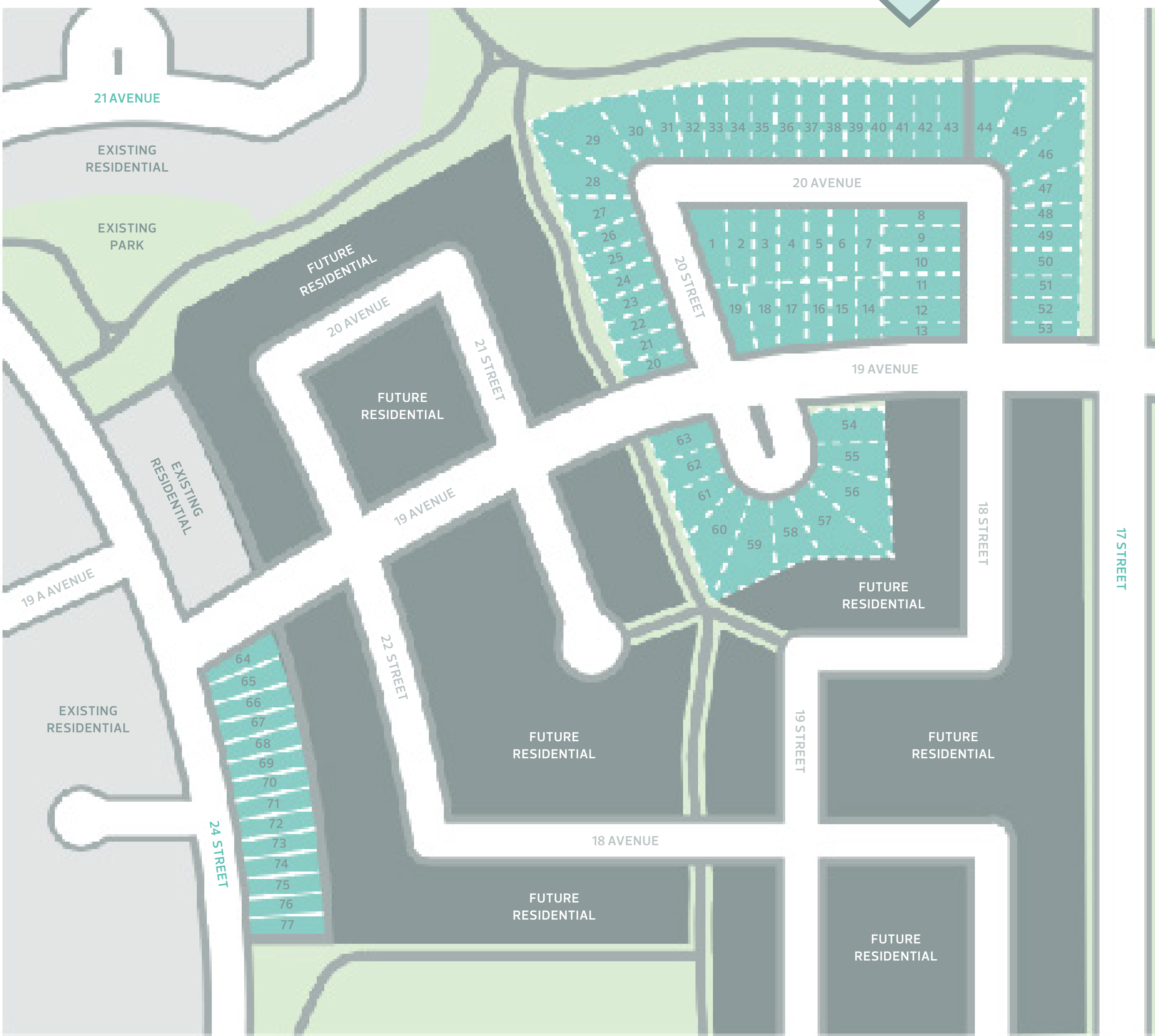
The Meadows of Laurel

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

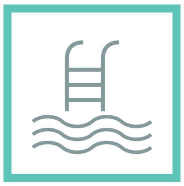

Svend Hansen K-9 School


Quick Access to Anthony Henday


Transit

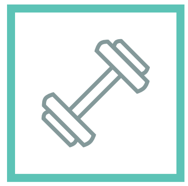

Shopping


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.

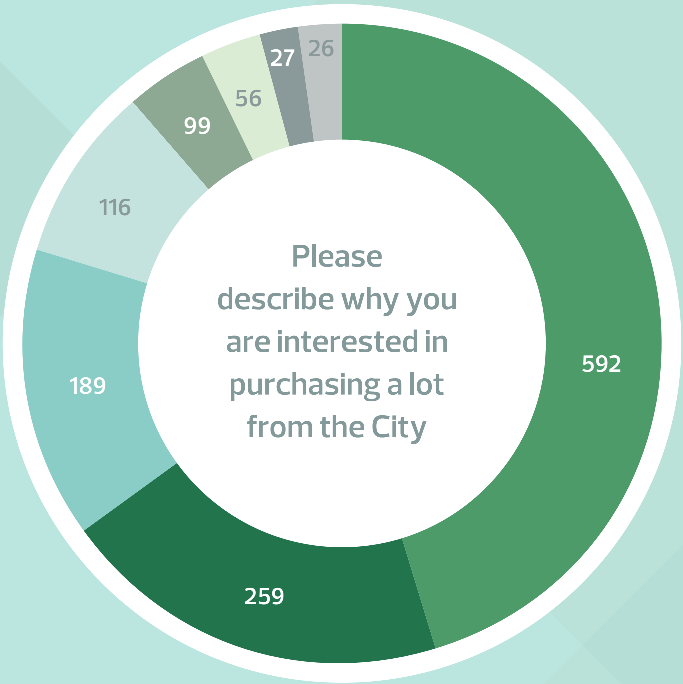
DESIGN GUIDELINES

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
- Location
- Entering the Next Stage of Life
- Sustainability and the Environment
- Other
- Good Price
- Investment Opportunity
- 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! "

Attachment 7

REAC Public Responses

In working with the Real Estate Advisory Board (REAC), a number of questions arose for clarification around the Land Governance Strategy Council Report, CR_7122, presented to Executive Committee on November 18, 2019. This document answers the questions that do not disclose information harmful to economic and other interests of a public party or advice from officials. The remainder of REAC's questions are answered in Attachment 7, REAC Private Responses.

QUESTIONS SPECIFIC TO PwC REPORT

1. **It is understood that four percent was used as the discounted rate in a Net Present Value calculation. Can you explain why Administration feels this is an appropriate discounted rate for evaluating land development? If using the City's WACC, how is the risk of the investment represented in the calculation?**

   PwC uses a four percent discount rate in their analysis. This is consistent with models PwC has developed for other municipal land development programs. PwC believes a four percent discount rate is appropriate as the City's land development program does not incorporate debt as part of its capital profile. Only the cost of equity applies. The risk associated with the development of land is therefore not encompassed in the discount rate, but rather is illustrated in the estimated "hurdle rate" of a required investment Internal Rate of Return (IRR) or net margin calculation. PwC's model for the City's land development program differs from a model where debt is used, which is the typical model used by a private developer. In discounting cash flows in a model where debt is used, weighted average cost of capital is normally used as the discount rate.

2. **Impact Assessment – when evaluating the options, are special dividends being discounted (NPV)?**

   In the November 2019 PwC report, the Special Dividend analysis is not discounted for a Net Present Value. The updated February 2020 report however does discount the Special Dividend to its Net Present Value.

3. **Market metrics used in the report are based on Conference Board of Cda and appear to be based on their Spring 2019 outlook. The fall outlook is more current and most economic forecasts have been downgraded (some substantially) since last year. Is the City and PwC comfortable in the market metrics assumed in the analysis and has a sensitivity been done in a lower growth scenario?**

    PwC incorporated the Fall 2019 outlook into the updated report, included as Attachment 4. While the short term economic forecast has changed, the medium to long term forecast has not. PwC has concluded that the changes do not support adjustments to their medium and long term forecasts for the land development projects. However, PwC has made some timing changes in the first five years of the analysis to account for these downgrades in macro economic forecasts. Administration is comfortable with the recommendations from PwC.

4. **For Goodridge Corners (Page 27), why does Option 3 – Quick Sale have a high negative cash outflow in 2020? And why is spending more than in scenario 1 and 2?**

    The negative cash flows for Goodridge Corners in 2020 are due to the front-ended infrastructure costs spent to date on the servicing infrastructure. For the development scenarios, this is accounted for entirely in the Stage 1 results, because costs are not shared across stages. As the City is the only landowner in the Neighbourhood Structure Plan and a Permanent Area Contribution (PAC) basin does not exist, these costs are covered in future stages in the proforma calculations.

    For the quick sale options the front-ended infrastructure costs are accounted for since they service the future lands and value of those lands is partially based upon the front-ended serving that exists here.

5. **The report states that adjustments were made to assumptions for the development budgets and cash flow models for each of ELD's greenfield residential land development projects. What adjustments were made for the cash flow models?**

    The adjustments described in the PwC Report refer primarily to the timing and staging of development and land sales under the alternative scenarios explored by PwC (any scenario that is not considered "status quo"). For instance, in any "Accelerated Development" scenario analysis, PwC adjusted the ELD development and sales timelines forward to a market driven pace. Land values were also adjusted based on recent market comparables collected by PwC. Additionally, estimated revenues and development expenses were inflated two percent per annum to incorporate expected sales and expense growth over time (two percent and three percent per annum, respectively).

6. **What is the difference between the $278M used in the City report vs the Impact Assessments amount in the PwC report ($278M v $181M) and can a reconciliation be provided? Please clarify which numbers are and are not discounted.**

   The $181 million referenced in the Impact Assessment of the PwC report refers to the consolidated 'Net Income' or 'Net Profit' of the Recommended Disposition Options of the three residential land development projects. $181 million is net of land acquisition costs, development hard and soft costs and municipal fees and assessments (assuming the return of over expenditures).

   The $278 million presented to Executive Committee on November 18, 2019 (also found within the PwC Impact Assessment), relates to the estimated future cashflow available to be paid by ELD to the City, under the 'Special Dividend' scenario recommended by both PwC and Administration. These funds encompass all of ELD's holdings (residential and industrial) and future development timeline.

   Neither dollar amount was discounted back to a Net Present Value in the PwC report presented to Executive Committee in November 2019. These have since been discounted to a Net Present Value in the updated February 2020 PwC report.

7. **Did IRR calculations done in the variations options within the PwC report use book value or current market value of land for the projects?**

   The Internal Rate of Return (IRR) calculations used in the PwC analysis used historical book value of the lands, inflated annually from the time of acquisition.

8. **Please provide cash flows for each project analyzed (either ELD's or PwC's that is used in the analysis).**

   The cash flows for each option calculated by PwC are detailed in Attachment 4 (see page 19 for Schonsee, page 23 for Aster and page 26 for Goodridge).

9. **At committee the consultant represented to council that the development of the three projects by ELD would yield an annual return over 20 percent. Can you please provide the math and backup information used for this calculation?**

   The cash flows and IRRs calculated by PwC are detailed in Attachment 4. The IRR of the consolidated cash flows of the three residential development projects (Goodridge, Aster and Schonsee) equates to approximately 21.8 percent over the 30 year time horizon of the analysis. This was calculated by consolidating the annual cash flows (the income and expenses) for the three residential development projects for every year between 2020 and 2049.

The math and backup information used for this calculation are not provided as doing so will disclose information harmful to economic and other interests of the City.

10. Please provide input numbers for 'Financial Analysis' chart on Slide 4 of presentation to committee.

	2020 - 2023	2024 - 2028	2029 - 2033	2034 - 2038	2039 - 2043	2044+	TOTAL
Land Enterprise Dividend (A)	$4.8M	$13.3M	$16.6M	$9.7M	$5.6M	$1.8M	$52M
Special Dividend (B)	$0	$78.2M	$56.6M	$49.6 M	$41.8M	$0	$226M
Total Dividend (A)+(B)	$4.8M	$91.5M	$73.2M	$59.3 M	$47.4M	$1.8M	$278M
ELD Quick Land Sale	$85M	$0	$0	$0	$0	$0	$85M

All proposed numbers were prepared by PwC.

The ELD Quick Land Sale option sells all the programs remaining greenfield land over two years. PwC anticipates sale of these and revenue to be received within two years. This is an aggressive timeline for a quick sale scenario.

11. What are the terms on the lot sales assumed in the cash flow models used? What is the rationale behind an accelerated cash flow model? Did PWC also prepare a decelerated model?

The accelerated development scenario is meant to act as a proxy for the pace at which Industry would typically develop, service and sell residential lots in the market. Historically, ELD has intentionally slowed the pace of development and lot sales to lag behind industry. This was done to minimize ELD's market share and to limit direct competition with industry. A deceleration scenario was not prepared by PwC.

12. PwC Recommendation notes total dividends over the course of their option would be $51.7M over the course of the remaining development. Is that correct? And why isn't this compared to the disposition option which would provide total proceeds of $85M (in near term, vs the dividend accumulated over 30 years)?

The Land Enterprise Dividend of $51.7 million is based upon the current dividend policy, which mandates a payout formula of disbursing 25 percent of the Net Profits from any ELD development and/or sale. These Net Profits include the book value of the land, plus any costs associated with the development and/or sale. ELD's operating costs (overhead) are also netted against these Net Profits. If the same dividend policy was applied to $85 million, the applicable dividend payout would be in the range of $15 million.

PwC has recommended the implementation of a Special Dividend to pay any excess funds (above a $30 million threshold held by ELD) to the City in addition to the Policy C516B dividend at the end of any given fiscal year.

13. Can you quantify the City's holding costs for land on a tax basis over the duration of a project and compare it to what would be generated from the same projects if owned and developed by private industry? Please reference both property & incomes taxes.

City owned properties are not subject to property taxation. PwC's analysis includes the property tax impact of ELD owning these lands versus a private developer(s) for each of the three projects in question.

PwC also notes their assumptions in calculated estimated property taxes payable for each project: "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 of assessed value for farmable agricultural land, with non-farmable land assessed at market value. The resulting assessed value would then be taxed at the City's municipal tax rate for residential/farmland of 0.64737 percent".

The City does not pay income taxes.

GENERAL LAND DEVELOPMENT PROGRAM QUESTIONS

14. What does ELD use as the financial metric for making acquisitions? Stage servicing decisions? Or other investment decisions?

When making land acquisitions (other than for the purposes of purchasing remnant lands to make contiguous land development parcels), and stage servicing decisions, the City has typically used a profit margin of approximately 20 percent. However, the City has also considered non-financial metrics when deciding whether to invest in land or to invest in stage servicing.

15. **Has the cost or impact as a result of ELD goals around affordable housing, green development, etc, been factored into the proformas? The comment was made by admin at committee that some pursuits of these initiatives would impact the profitability of the projects, *while others would not*. Can you be specific as to what initiatives to affordable housing and/or green development could be added to the ELD mandate that would not impact profitability?**

    The requirements of the current Land Development Policy (C511) are factored into ELD's proformas and PwC's analysis. Any new Land Development Policy requirements are not factored into ELD's proformas or PwC's analysis. If Council approves the recommendations within the report, Administration will prepare a revised Land Development Policy based on the recommended policy themes in Attachment 5. Affordable housing and green development requirements will be factored into the proformas at the time of project planning, balancing financial impact with City priorities.

    Affordable housing and green development initiatives may impact profitability. However supporting initiatives such as near market affordable housing, first time home buyers, solar readiness or green built forms may only have negligible impact or may not impact profitability at all.

16. **Can you provide a detailed inventory of all serviced (but unsold) lots in Laurel Greens?**

    Laurel Greens was a joint venture with Dream Development in which the City's portion of the land created 166 single family lots and a multifamily lot. The City lots are fully sold out and the project is in its close out phase.

    The Meadows of Laurel is the City's most recent and final subdivision in the Laurel neighbourhood. It includes 304 serviced residential lots, which will be sold in phases over four years. The first phase sold in 2019, and consisted of 77 lots. Over the next three years, approximately 75 lots will be sold annually. A profile on the Meadows of Laurel development is included in Attachment 2.

17. **In the Aster proforma there is an approximate budget for $160,000 worth of overhead. Can you please provide the background on how this number was determined, and confirm the approach for which all overhead is distributed throughout the project budgets?**

    The approximate $160,000 included in the Aster proforma is an estimation of property tax amounts that would be incurred by a private developer. Although the City doesn't pay property taxes, the cost is included in the draft proforma to support a comprehensive list of costs.

City overhead is not calculated on a per project basis. Instead, it is accounted for, and approved by City Council, in the program's annual operating budget as an expense against net revenue.

18. Can you clarify the IRR on the Ed Tel Endowment?

Following the City's sale of Ed Tel Inc to TELUS in March 1995 for $470 million, the Ed Tel Endowment fund was created to serve as a long-term and stable investment vehicle. Since its inception, the fund has earned a compound annual rate of return of 7.9 percent. This 7.9 percent Compounded Annual Growth Rate can be used as a proxy for the historical IRR.

19. What is the number of staff within ELD and the total annual overhead associated with the staff?

City Council approved the following personnel budget for 9 full time equivalent employees within Enterprise Land Development within the 2019-2022 Operating Budget:

2019 Budget	2020 Budget	2021 Budget	2022 Budget
1,158,000	1,167,000	1,170,000	1,174,000

20. What is the overhead or annual cost of non-ELD City of Edmonton employees contributing towards ELD projects? Is the cost allocation for overhead the same method used for the development reserve?

In addition to being self funded and paying an annual dividend, Enterprise Land Development supports the City's Operating Budget by paying approximately $1.14 million of costs annually to other business areas that contribute to ELD projects, supporting personnel space rental and parking. This contribution totals $4.59 million in addition to a projected Policy C516B dividend totaling $4.407 million over the 2019-2022 budget cycle.

Costs are allocated in a similar way for the Planning and Development Reserve.

21. What was the total cost for the work completed by the two consultants (EY and PwC) as part of the Land Governance motion?

The amounts outlined below represent the amount paid to EY and PwC, up to and including the November 18, 2019 Executive Committee meeting:

PwC	$109,105.50
EY	$86,295.79
TOTAL	**$195,401.29**

22. For the Exhibition Land project, can you confirm current estimated cost to service a first stage in the SW corner of the site, construct the new LRT station directly NW of Borden Park, and demolish Northlands Coliseum?

Work to estimate costs to service the first stage of the Southwest corner of the Exhibition Lands Site is ongoing and not yet completed.

The planning and design of the 115 Avenue infill LRT station was identified in the Fall 2019 Supplemental Capital Budget Adjustment as an unfunded project with a budget estimate of $750,000. This funding would ensure planning and design to the Project Development and Delivery Model (PDDM) Checkpoint Three. In the Exhibition Lands pro-forma, Administration identified an estimate of $25 million (2019 dollars) for the construction of the LRT station. These estimates are pre PDDM Checkpoint One and do not include potential impacts on mainline signalling and Light Rail Vehicle fleet requirements.

The most current estimated cost to demolish Northlands Coliseum is approximately $25 million.

Definitions Document

Supporting Definition Document Alongside Land Governance Strategy Report

Purpose of Document

This document is meant to provide readers with a supporting glossary of financial and land development terms found within the PwC Recommended Disposal Report and Summary and most definitions are in specific relation to this analysis.

Financial Analysis Terms[1]

Compound Annual Growth Rate (CAGR)

Compound annual growth rate, or CAGR, is the mean annual growth rate of an investment over a specified period of time longer than one year.CAGR is a mathematical formula that provides a "smoothed" rate of return, assuming that the proceeds of the investment are compounded periodically. Compound Annual Growth Rate can both be calculated on historical returns as well as for forward-looking pro forma estimates to determine the implied rate of return on an investment.

Cost of Capital / Weighted Average Cost of Capital (WACC)

Cost of capital is the required return necessary to make a capital budgeting project worthwhile. In corporate finance, typically cost of capital refers to the weighted average of a firm's cost of debt and cost of equity blended together - Weighted Average Cost of Capital (WACC). Many corporate entities use a combination of debt and equity to finance their businesses and, for such entities, the overall cost of capital is derived from the weighted average cost of all capital sources.

Cumulative Cash Flows

Cumulative cash flows are the total net cash earnings received at any given time, beginning from the analysis start date (2019). Net cash earnings can be calculated by subtracting any future costs of development and historical land costs from gross sales of land/lots. The book value of the land (inflated by the carrying cost inflation rate) is included as a negative cash flow in 2019 to begin the analysis.

Discount Rate

Discount rate refers to the interest rate used in discounted cash flow (DCF) analysis to determine the present value of future cash flows. In determining an appropriate discount rate, a corporate entity which is attempting to value a project will likely use the weighted average cost of capital (WACC) as a discount rate, which is the average cost the company pays for capital from borrowing or issuing its equity.

[1] Descriptions developed based on material from Investopedia

Discounted Cash Flow (DCF)

Discounted cash flow (DCF) is a valuation method used to estimate the value of an investment or project based on its future cash flows. DCF analysis finds the present value of expected future cash flows using a discount rate. By discounting the value of future cash flows back to a present value, investments or projects can be analyzed under current conditions.

Disposable Cash Proceeds

Disposable cash proceeds refer to the net sales revenue of land and/or lot sales. This is calculated by subtracting any future costs of development from gross sales of land/lots. Note, the cost of the land is not considered in this calculation, as it is meant to measure future cash profits - where the cost of the land in this lens is considered a historical/sunk cost.

Inflation Rate

Inflation rate is a quantitative measure of the rate of which a basket of goods and services increases in value over time. The inflation rate is the amount by which the revenues and costs relating to this analysis grow year-over-year relative to the period prior, all else equal.

Internal Rate of Return (IRR)

The internal rate of return on an investment or project is the "annualized effective compounded return rate" or rate of return that sets the net present value of all cash flows from the investment equal to zero. IRR is a widely used metric in capital budgeting used to estimate the profitability of forecasted investment returns. While IRR alone can not determine the relative profitability of a project or investment, it is a useful tool to compare expected returns of multiple investments, or to measure profitability against a threshold or "hurdle".

(Land) Carrying Cost

Carrying cost is the inflationary rate attributed to the book value of the land holdings annually. This carrying cost is applied as a conservative measure to act as a proxy for interest costs of holding land, which Industry would often encounter as debt is typically utilized in land acquisition transactions. From Enterprise Land Development's perspective, this artificial carrying cost represents a rate of inflation on the holding value of the land.

Land Enterprise Dividend

Pursuant to the Land Enterprise Dividend Policy (C516B), Land Enterprise will pay an annual dividend to the City of Edmonton. The Dividend is based on 25 percent of actual net income of the land development activity of the Land Enterprise and paid in the second quarter of the following year.

Market Driven Development

Development of lands at a pace comparable to that typically undertaken by private industry developers. Historically Enterprise Land Development has taken a “slow & steady” approach to residential community development, regardless of market conditions. Under a market driven approach Enterprise Land Development will accelerate lot development to shorten the time horizon to align with industry.

Net Present Value (NPV)

Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used to analyze the profitability of a projected investment or project by calculating today’s value of a future stream of payments. It accounts for the time value of money and can be used to compare investment alternatives that are similar in nature. The NPV relies on a discount rate of return that may be derived from the cost of the capital required to make the investment.

Net Proceeds / Net Income

Net proceeds refer to the net sales revenue of land and/or lot sales, inclusive of historical land costs. This is calculated by subtracting any future costs of development and historical land costs from gross sales of land/lots. This calculation is important in determining the annual Enterprise Land Dividend, as funds available for dividend disbursement are based on the net proceeds of any land sold.

Range of Certainty

Range of certainty refers to the levels of sensitivity in values for the disposition options for each land holding. The sensitivity ranges found within the Land Governance analysis are as follows:

- Quick Sale of any/all lands - +/- 5 percent
- Development of Aster and/or Schonsee - +/- 10 percent
- Development of Goodridge Corners - +/- 15 percent

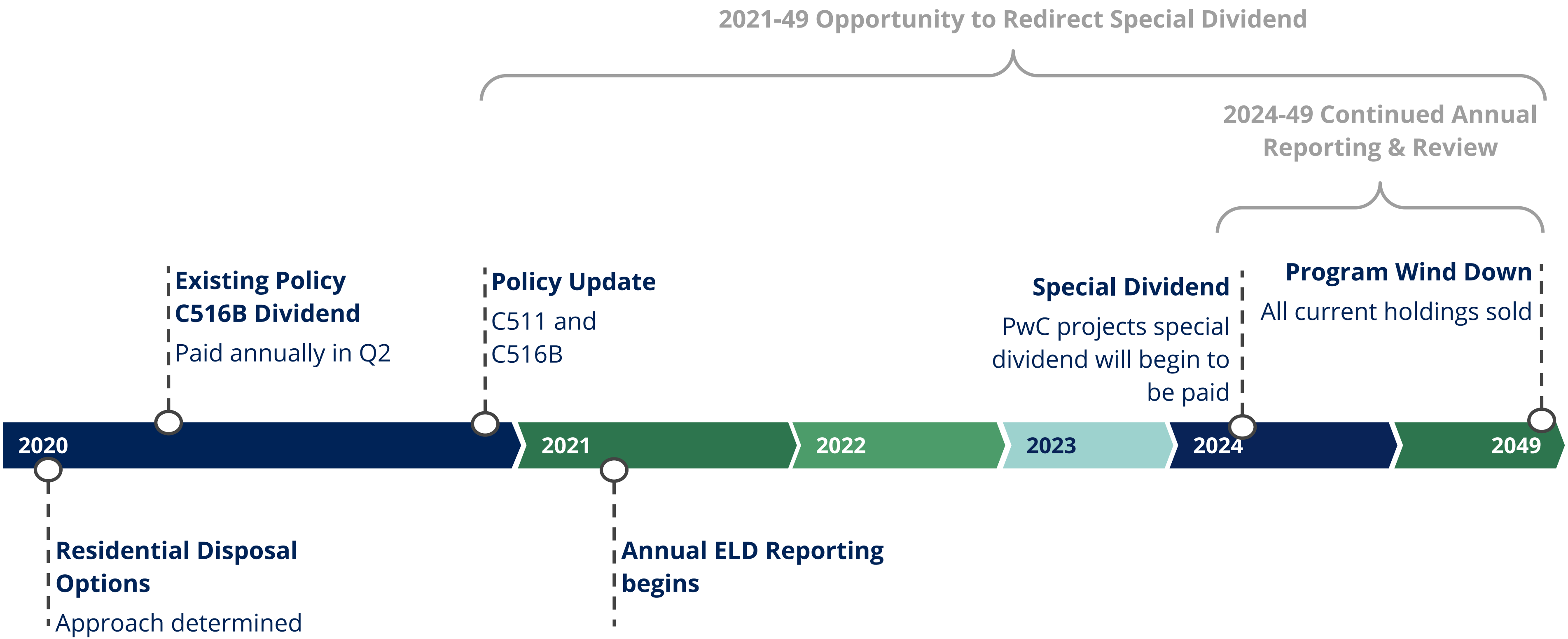
Special Dividend

The special dividend is a recommendation made by PwC to utilize proceeds/retained-earnings generated by Enterprise Land Development, over-and-above the Land Enterprise Dividend. The special dividend payout formula is equal to the amount by which Enterprise Land Development’s retained $30M in any year, with the $30M threshold determined as the amount sufficient to fund future Enterprise Land Development projects and operations.

Tax Revenue

Tax revenue represents municipal taxation dollars that are payable to the City of Edmonton. These payable tax amounts are calculated based on the assumed zoning of the land in question, with AG (Agricultural Zone) zoned land accruing a much lower nominal tax base than up-zoned residential parcels. The analysis takes tax revenue into account to illustrate the potential cash flow shortfalls related to delayed development timelines, specifically in developing AG land into residential at a pace consistent with that of Industry.

Where We Are Going



Land Governance Strategy - Enterprise Land Development Program Update

CR_7122rev City Council
March 9, 2020

Edmonton

Disposition Strategy

Residential & Industrial Lot Development

$274M (2049)
Total Dividend
$171 NPV*

*Net Present Value (NPV): the difference between the present value of cash inflows and the present value of cash outflows over a period of time

Recommendations

- Wind-down Program by 2049 through:
  - Resume residential greenfield land development
  - Continuation of industrial land development

Disposition Strategy

- Continuation of revenue generating program
- Moratorium on new residential land purchases
- Updated governance and land development policies
- Increased reporting
- Achieve 2019-2022 Budget revenue projections
- Special Dividend payment

Special Dividend (Industrial & Residential)

(Millions $)	2020-24	2025-29	2030-34	2035-39	2040-44	2045+	TOTAL
Land Enterprise Dividend	$9	$14	$14	$6	$5	$2	$50M
Special Dividend	$17	$70	$65	$30	$42	$0	$224M
Total Dividend	**$26**	**$84**	**$79**	**$36**	**$47**	**$2**	**$274M**

Cumulative total dividend of **$274M**; Net Present Value of **$171M**

Edmonton

Civic Investment Scenarios: $85 million

Investment of Sell As Is Revenue from Residential Land		
	Withdrawals equal to accrued interest	**Withdrawals equal to special dividend (residential only)**
Money market Fund	$64M	$76M[1]
Balanced Fund	$104M	$88M[2]
Ed Tel Endowment Fund	$118M	$93M[2]

All amounts are discounted back to today's value as Net Present Value.
[1] Fund runs out of money in 2028
[2] Fund runs out of money in 2032

Executive Committee Discussion

- Self-funded program, does not draw from Tax Levy and does not utilize debt as a funding source.
- Residential product has always been well received and sells out within days.
- Risks are managed:
    - Exposure averages $10 million/year over development timeframe
    - Updated governance and continued evaluation of development scenarios
- PwC's analysis is conservative:
    - 2% revenue increases and 3% expenses increase
    - Contingency included within proformas

Aster

- Government of Alberta land listed on the Multiple Listing Service (MLS)
  - Requirement to transact at market value
- City of Edmonton was one of multiple offers received, required to transact at market value:
  - Appraisals completed, purchase price considered to be at market value
  - Executive Committee approved acquisition, September 2017