



EXECUTIVE COMMITTEE REPORT

Enterprise Land Development Program Update

Recommendation of the Committee

1. That Administration, following the completion of any currently underway plan amendments, prepare the City-owned greenfield residential/mixed-use land holdings in Aster, Schonsee and Goodridge Corners neighbourhoods for sale, as is, with target public offering timelines of:
 - a. Q2 2021 for Aster;
 - b. Q4 2021 for Schonsee; and
 - c. Q1 2022 for Goodridge Corners.
2. That the proceeds of sale be directed to Land Enterprise Retained Earnings.

History

- At the April 26, 2021, Executive Committee meeting, the April 26, 2021, Financial and Corporate Services report CR_8197 was considered.
- The Committee heard from V. Bhullar; H. Sekhon, Builder Group; M. Kohl, Urban Development Institute - Edmonton Region; A. Usenik, Real Estate Appraising and Consulting; M. Samji, Infill Development in Edmonton Association; and S. Brar, Vita Homes.

Attachment

April 26, 2021, Financial and Corporate Services report CR_8197

Enterprise Land Development Program Update

Recommendation

That the April 26, 2021, Financial and Corporate Services report CR_8197, be received for information.

Previous Council/Committee Action

At the March 9, 2020, City Council meeting the following motion was passed:

3. That Administration return to Committee (after continued engagement with Real Estate Advisory Committee) with a report outlining:
 - a. the strategy and timelines to prepare Goodridge, Schonsee and Aster for sale,
 - b. a detailed analysis of how to direct proceeds from the sale of Aster, Schonsee and Goodridge into the most strategic city building real estate catalyst opportunities aligned with ConnectEdmonton,
 - c. the advantages and disadvantages of establishing a reserve fund to accept the proceeds of the sale of the items in part 3a.

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

Executive Summary

The Enterprise Land Development program manages the planning and servicing of land for residential, industrial, commercial and mixed-uses to provide fully serviced and subdivided lots for sale to the public. As part of the program, residential lots are sold to citizens and small builders with sustainability requirements built into the sales agreements.

In Alberta, the Municipal Government Act limits revenue generation tools available to municipalities. Land development, and the resulting sale revenue, is one of a few viable options that not only generates revenue, but is also profitable. Residential land development activities generate high rates of return and have been a core part of the program for over 50 years. These developments focus on achieving the City's strategic goals while striving to improve residents' lives and enhance Edmonton's global reputation. Approximately 495 acres of land in three neighbourhoods are currently identified for residential greenfield land development. This represents roughly 3.4 percent of the City's remaining 14,534 acres of future residential development land in areas that are planned, developing or future growth areas.

This report presents different strategies and timelines to help inform Council's decision on how to prepare the City's holdings in Goodridge Corners, Schonsee, and Aster for sale. Administration evaluated various approaches to selling the undeveloped land holdings as-is, or selling some land holdings as-is with continued investment in others. The report contemplates each option's ability to generate and direct proceeds into strategic city building projects, their alignment with The City Plan objectives, and their impact on particular stakeholder groups through Gender Based Analysis Plus (GBA+).

The analysis found that the revenue generated by selling Aster and Schonsee as-is, could support the initial investments required to advance the major city building projects in Exhibition Lands, River Crossing and Heritage Valley Town Centre. Through continued investment to develop and sell fully serviced lots in Goodridge Corners, the City would be able to generate significant returns. The high sales returns expected from this investment could provide revenue that is available to invest into future city building opportunities as Edmonton's established neighbourhoods begin to redevelop and the city grows to two million people.

Report

Background

The City of Edmonton owns approximately 495 acres of land in the neighbourhoods of Goodridge Corners (409 acres), Schonsee (33 acres) and Aster (53 acres) that are held for residential greenfield development (Attachment 2). This work is carried out by the City's Enterprise Land Development (ELD) team, as part of its delivery of the *Residential, Commercial and Industrial Land Development* service identified in the Corporate Business Plan. The City of Edmonton has participated in residential land development since the 1960s, when it acquired large portions of land in Mill Woods for this purpose. The Mill Woods project generated over \$230 million in net revenue and contributed \$131 million towards the Debt Reduction Policy. It also financed the purchase of the Century Place and Chancery Hall buildings, and provided partial payment for the Edmonton Convention Centre.

The program is guided by Land Development Policy C511 to develop raw, unserviced greenfield land into fully serviced lots for sale. It operates as an enterprise within the City's financial structure. It is entirely self-funded using Land Enterprise Retained Earnings, and pays an annual dividend to the corporation as per Land Enterprise Dividend Policy C516B.

ELD's land development activities typically generate a high rate of return. The four most recent phases of residential greenfield subdivision development in the Oxford and Laurel neighbourhoods generated a net revenue of \$37.4 million, with profit margins greater than 40 percent. The remaining lots in Laurel are anticipated to finish selling in 2022, generating an additional \$12.3 million in net revenue. Interest in purchasing City developments is extremely high. In March 2021, the City opened

registration for 77 lots in Laurel Phase 3 with 35 lots available to the public and 42 lots available to builders. Registration was open for one week and over 8,600 citizens and 160 builders registered for the chance to acquire lots in the City's development.

The land holdings in Goodridge, Schonsee and Aster all fall within the Developing Areas identified in The City Plan, as shown in Attachment 2, and are anticipated to take between 20 to 30 years to fully develop. As identified in The City Plan, the Developing and Future Growth Areas are expected to experience the majority of Edmonton's growth until approximately the mid-2040s, contributing to Edmonton's population reaching 1.5 million people.

Administration publicly listed 12 acres of land in Schonsee West for sale and is currently under agreement to sell the land with a condition removal date of April 27, 2021. The decision to list the property was made as an effort to rebalance the Enterprise Land Development portfolio after a financial analysis of the site found that selling the land holding allowed for approximately \$25 million to be redirected to redevelopment projects such as Exhibition Lands and Heritage Valley Town Centre. The \$25 million is the sum of the revenue generated from the sale plus the capital investment that would have been required to develop the site. This land sale is within Administration's Delegated Authority and is not required to return to Council for approval.

Real Estate Catalyst Opportunities

Administration considered projects to be significant real estate catalyst opportunities if the investment made by the City is able to remove a barrier to development in and around the area. Some examples include large infill redevelopment projects that require significant front end investment, such as the Exhibition Lands and River Crossing; unlocking or furthering development in The City Plan's other nodes and corridors; and generally supporting growth management priorities.

The major redevelopment projects of Exhibition Lands and River Crossing could be supported by the proceeds generated from the disposition of the City's residential greenfield holdings. It is assumed that these projects would be supported through the sales, as outlined as "the most strategic city building real estate catalyst opportunities" in the motion. Both are identified as investment areas within the first two population horizons in The City Plan, as shown in Attachment 3. These two projects are currently moving into the implementation phase of redevelopment, meaning they will soon require significant capital investments.

The City Plan identifies Heritage Valley Town Centre as a major node and an area to invest in to reach the first population target of 1.25 million residents. Administration is working on a critical subdivision in the area that will help catalyze development, funded through Land Enterprise Retained Earnings.

There are potentially other development opportunities that will arise as Administration works to realize The City Plan, such as completing pockets of undeveloped land in established neighbourhoods or supporting sustainable development practices. Ongoing development proceeds from the City's land holdings could also potentially support growth management priority areas. The most effective way to prepare to support these types of future projects would be to have sufficient capital available.

Alignment with City Goals and Objectives

The City Plan provides applicable outcomes, intentions and directions to support growth. Administration has evaluated how the sale of its land holdings, either as undeveloped land or in various phasing up to and including fully serviced lots, may create opportunities to realize some objectives of The City Plan. Administration has also evaluated the City's Energy Transition Strategy for ways land development activities would be able to support the City's sustainability targets.

In general, Administration found that, by selling its undeveloped holdings as-is, the City is reliant on land use plans, standards, and bylaws to shape growth. Sales conditions can sometimes provide additional opportunities to achieve goals, but are difficult to enforce when selling large parcels of land that have long development horizons. However, by selling the land as fully serviced lots in some cases, the City is able to directly control what is planned, designed and built. The City is also able to put more enforceable conditions into its sales agreement with the end user. This greatly improves the City's ability to go above the minimum requirements of planning, standards and bylaws to achieve goals to lead by example through its developments.

There are several actions the City can take as a land developer, in support of The City Plan. Areas of particularly strong alignment with The City Plan include:

- Directing revenue generated through greenfield development activities to fund infill/redevelopment city building projects and other growth priorities identified in The City Plan as well as completing pockets of undeveloped land in established areas.
- Leading and taking a continuous improvement approach to sustainability in an effort to normalize new and emerging technologies and practices.
- Supporting socially responsible forms of housing by creating lots that are affordable, varied in housing form, age friendly, and more sustainable.
- Support the growth of new and small businesses by selling lots directly to small builders to grow and innovate their business.
- Creating subdivisions that promote safe living and active lifestyles that demonstrate good design.
- Demonstrating best practice design for mobility, creating connectivity and advancing 15-minute districts, and opportunities to enjoy open space.
- Providing opportunities for improved design and construction standards through a platform to demonstrate new, innovative and creative designs.

Additional comparisons of how each option is able to support The City Plan is included in Attachment 4. Administration intends to return to Council in Q2 2022 with an update to Policy C511 the Land Development Policy and, if required, Policy 516B the Land Enterprise Dividend Policy that brings them into alignment with The City Plan and the Energy Transition Strategy.

Disposition Options and Evaluation

The following outlines two options to fulfill the motion request for a strategy and timelines to prepare Goodridge, Schonsee and Aster for sale. A summary of each option's benefits, as well as a strategy and approximate timelines for the sale of the lands, is outlined below. These options are also incorporated into financial models used in subsequent sections of this report.

Option 1 - Sell As-Is

Option 1 consists of completion of the ongoing statutory plan amendments and then publicly offering the undeveloped lands for sale. In this scenario, no further greenfield residential land development occurs and all 495 acres of land are sold in a relatively short time frame. While this option is able to support the redevelopment projects, it generates a much smaller amount in sale and investment revenue, provides few opportunities to directly support The City Plan or the Energy Transition Strategy, and, from a GBA+ perspective, has more negative impacts to small businesses. More on GBA+ implications below.

The strategy and timelines to dispose of the holdings via this option involve immediately listing Aster for sale, completing plan amendments for the remaining two holdings and publicly offering them for sale. This approach could have Aster listed for sale in 2021 and Schonsee and Goodridge Corners listed for sale by 2022. Further information can be found in Attachments 5 and 6.

Option 2 - Partial Development then Sales

Option 2 involves the sale of the undeveloped land holdings in Aster and Schonsee and continued investment in and development of Goodridge Corners. The primary focus of this option is to support city building real estate catalyst opportunities while also maximizing returns on remaining land holdings. In general, this option provides great balance in terms of revenue, support for The City Plan and GBA+ impact, while also being able to support initial stages of the major redevelopment projects.

The strategy and timelines to prepare the holdings for sale under this option would involve immediately listing Aster for sale and completing the plan amendment for Schonsee. It is expected Aster could be listed for sale in Q2 2021 and Schonsee in Q4 2021. Goodridge Corners would continue development, with the preparation for sale of the first stage of fully serviced lots starting in 2023 and continuing, more or less, annually until full build out. Administration would also analyze the benefits of selling larger parcels in Goodridge Corners as part of this option, as required, to fund other priorities as they arise. Further information can be found in Attachment 5.

Financial and Market Analysis

Both options were evaluated to determine the estimated revenue generation, timelines for the revenue, rate of return, and cash flow implications. High level cash flow information was provided for the Exhibition Lands, River Crossing and Heritage Valley Town Centre projects. Their cash flows were then combined with the cash flows generated for both disposition options to determine each option's ability to support these projects. Broadly, surplus funds accumulated in Land Enterprise Retained Earnings, generated through land development activities, would allow for the future support of other land development opportunities or City initiatives.

For the combined cash flow analysis, it was assumed that these projects would follow the Enterprise Land Development model and revenue from the projects would be directed back into the land development activities. The land development activities would be self funded and a 25 percent dividend paid on years with positive net revenue as per Policy C516B directing the Land Enterprise Dividend. These financial models are shown in Attachment 6. The analysis found that:

- Option 1, selling as-is, resulted in a net revenue generation of \$32.5 to \$49.6 million prior to any investment into redevelopment activities. Upon completion of the Exhibition Lands and River Crossing redevelopment projects in roughly 2050, there would be an anticipated \$18.6 million available for other City building opportunities. A supplemental investment scenario for Option 1 using the Ed-Tel Endowment Fund is also detailed in Attachment 6 within the Use of a Reserve Fund section.
- Option 2, partial development, anticipates a net revenue generation of \$105.3 to \$154.3 million prior to any investment in redevelopment activities. Upon completion of the redevelopment projects in roughly 2050, there is an anticipated \$91.6 million available for other City building opportunities.

In addition to the financial implications provided above, there is currently \$33.04 million held in abeyance for profile CM-16-2020 (Residential/Mixed Use Land Development). These funds were intended to advance work in Schonsee and Goodridge Corners. The previously released funds plus the recoveries that have been received back to the profile are anticipated to provide sufficient funding to advance work in Goodridge, if permitted by Council, during this budget cycle. Stages in Schonsee are no longer planned to be developed this capital budget cycle, if at all. As such, it is not required to release any additional funds from abeyance.

Investment Return Analysis

Administration analyzed the amount of revenue that would be generated through investment returns for both options. A major consideration for this analysis is the standard City practice that all funds held in treasury are invested as mixed funds returning an average of 3.5 percent per annum over the long term, including Land Enterprise Retained Earnings. In general, the investment income generated through

these activities accrue back to the corporation, rather than Land Enterprise Retained Earnings. The analysis found that:

- Option 1 generates a much lower investment return (\$39.5 million), despite the higher initial investment. While this may be counterintuitive, the continued withdrawals and lack of high revenue generating projects results in rapid reductions to the principal amount, resulting in lower investment returns.
- Option 2 generates an investment return of \$66.5 million. This is the result of the profitable greenfield land development activities generating higher amounts of income that, in turn, accrues the larger amount of investment returns.

An analysis was also conducted for the disposition of the land holdings as per Option 1 - Sell as-is and investing the revenue into the Ed Tel Endowment Fund. This option also assumes withdrawals will be made as necessary to support major redevelopment projects such as Exhibition Lands, River Crossing and Heritage Valley Town Centre.

The evaluation found that supporting these projects resulted in significant periodic withdrawals being required over the lifetime of those projects. These withdrawals erode the principal and result in less overall revenue being generated than partial development; particularly after accounting for revenues generated by both investment income and land development activities. If the proceeds generated by Option 1 were invested into the Ed-Tel Endowment Fund, without the withdrawals used to support the redevelopment projects, there would be a \$67 million funding shortfall for those projects.

Market Analysis

An independent market analysis was completed by Altus Group Limited to determine market demand for the disposition of each holding. The market analysis found that there is demand and the City would be able to dispose of the land holdings for each option presented. The development horizons for the land holdings noted in the Altus report aligned with previous work completed by PricewaterhouseCoopers (PWC) and presented to Council on March 9, 2020. Additional information can be found in the Market Analysis section of Attachment 6.

Engagement With Industry Partners

Engagement was completed with builders who have purchased lots from previous Enterprise Land Development subdivisions, enabling Administration to understand how the City's land development activities support home ownership and small businesses. A "What We Heard report" is included in Attachment 7, which includes a summary of feedback as well as responses to the question "*If the City was no longer in the land development business, how would that affect your business?*". This feedback indicated that small builders who purchase City lots feel the City is providing a valuable service that is vital to small business growth, helps ensure competitive pricing, and is a leader in sustainability. The attachment also includes information on recent demand for City lots and the compliance with sustainability targets. The impact to these small builders is discussed in the GBA+ section.

Administration continues to engage with the Real Estate Advisory Committee (REAC) to gather feedback on the City's real estate matters, including the Enterprise Land Development program. Administration has discussed potential disposition options with REAC. The general recommendation from the industry members of REAC was that ELD should attempt to sell all of its 495 acres of greenfield residential land holdings as soon as possible. Some members of REAC have expressed a keen interest in the City listing its holdings as-is for sale so that private industry might be able to quickly develop these lands and benefit from the exceptional current market conditions. Detailed feedback from REAC can be found in Attachment 8.

GBA+

GBA+ was considered to determine if the sale of the City's undeveloped land holdings had a disproportionate effect on a particular group and if the City could prevent compounding issues for groups that may already be impacted by COVID-19 and the economic downturn.

The feedback received from builders who have purchased City lots indicates that the City's sale of its land holdings and discontinuing greenfield residential land development would have a potentially significant negative impact on small home building businesses and the small trades they hire due to their lost ability to participate in the market.

Many of the builders provided feedback, included in Attachment 7, that they are unable to buy desirable lots from other large land developers. They attribute this to large land developers' preference to sell lots in bulk quantities that smaller builders cannot afford. They indicated that the City's commitment to sell lots directly to small builders and residents is critical to their businesses. They also indicated that the City's land development activities have allowed them to grow their business, even during the recent economic downturn.

Option 1 would have more of a negative impact for this group than Option 2. These negative impacts may be compounded by the slow activity in Alberta's oil sector as well as the COVID-19 pandemic.

Public Engagement

The options presented to Council are based on a comprehensive program review informed by research and insights from three external consultants, as well as feedback from REAC and small builders as outlined above. 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(s): The City of Edmonton 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.	2021 - \$2.688M (un-audited) 2020 - \$2.127M 2019 - \$0.977M 2018 - \$0 2017 - \$3.393M 2016 - \$4.139M 2015 - \$2.708M	2021 - \$0.759M Budget 2020 - \$0.497M Budget 2019 - \$0 Budget 2018 - \$0.777M Budget 2017 - \$1.546M Budget 2016 - \$1.326M Budget 2015 - \$3.785M Budget
Land sales create new tax proceeds that support City program delivery.	Number of developed sites sold.	2020: 67 residential lots sold 2019: 77 residential lots sold and 5 commercial lots sold	2020: 67 residential lots sold 2019: 77 residential lots sold and 5 commercial lots sold

Attachments

1. Previous Council Actions
2. ELD Holdings in City Plan Development Pattern Area
3. City Plan - Investment Areas 1 - 1.25 Million People
4. Alignment to The City Plan
5. Disposition Strategies and Timelines
6. Financial and Market Analysis
7. Previous Development Feedback - What We Heard
8. REAC - What We Heard

Others Reviewing this Report

- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- C. Owen, Deputy City Manager, Communications and Engagement
- K. Fallis-Howell, Acting City Solicitor

Previous Council Actions

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.

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:

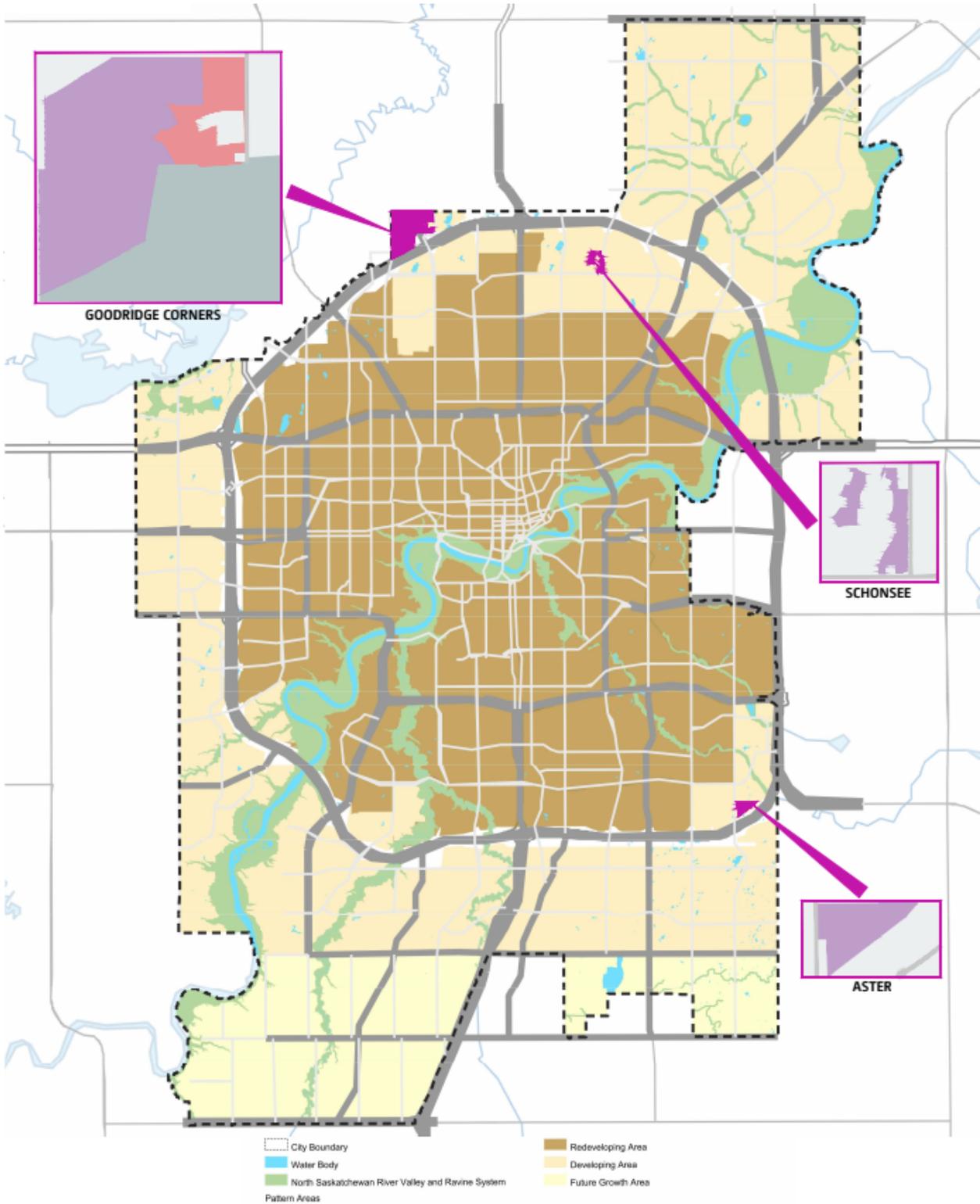
- To obtain advice on defining development projects for City owned Land within Enterprise Land Development in alignment with City of Edmonton Vision 2050 and on defining the City's role in attracting private investment in such development projects; and
- To obtain advice on strategies to dispose of industrial 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.

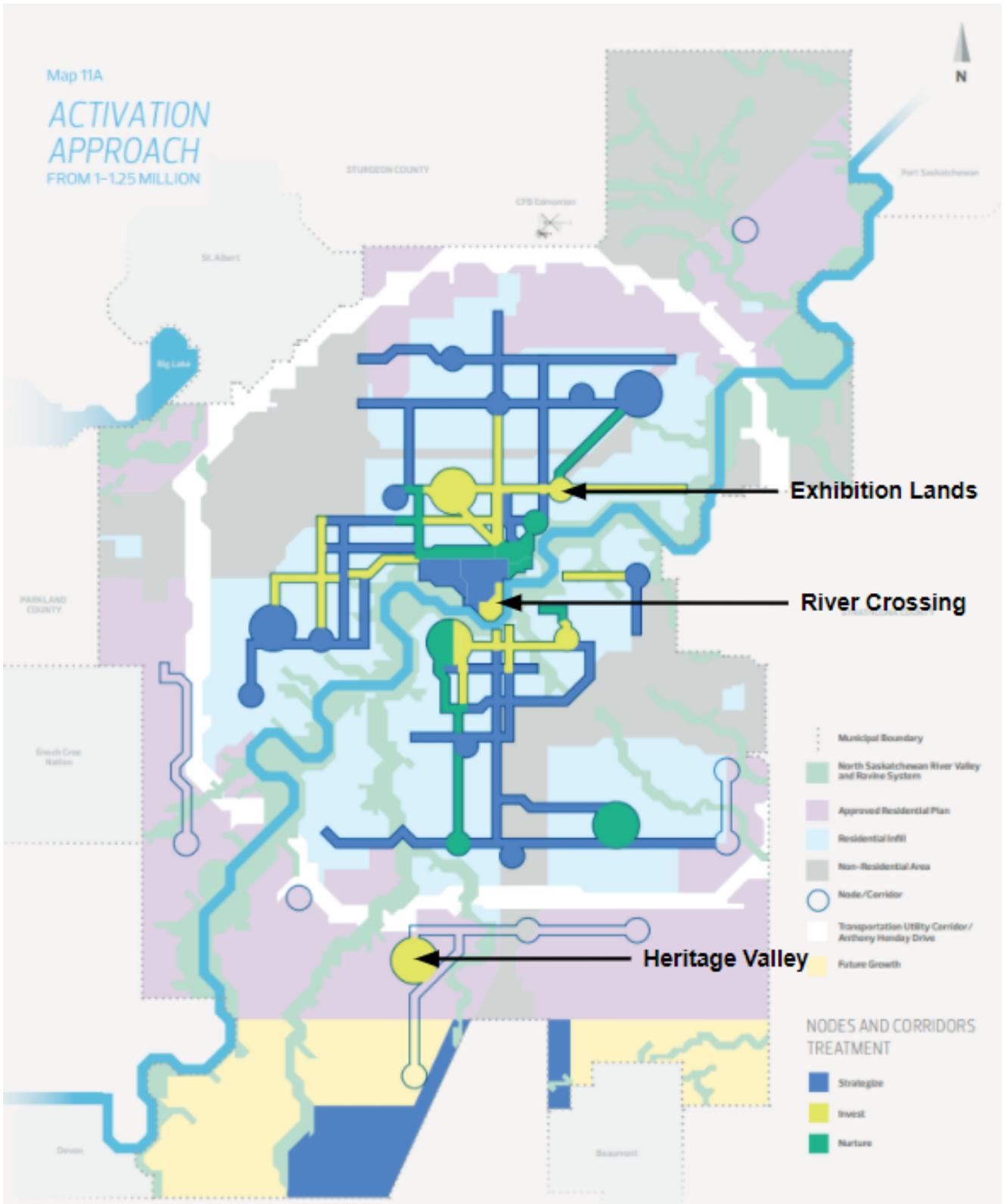
That Administration pause Enterprise Land Development greenfield residential development, except for Laurel 10 and Laurel 22, and in the fourth Quarter 2019 return with a report with the following additional information:

- 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.

ELD Holdings in City Plan Development Pattern Area



City Plan Investment Areas 1-1.25 Million People



Alignment to The City Plan

This attachment outlines ways in which Enterprise Land Development (ELD) actions could directly contribute to wider City initiatives by supporting the policies outlined in the City Plan. The Outcomes, Intentions and Directions in the City plan were reviewed to establish supportive actions the City could take in its land development activities. Each proposed disposition option was then ranked in its ability to support the action.

Policy C511 - Land Development Policy has not been updated since 2004 and Administration will begin an update to bring it into alignment with The City Plan, the Energy Transition Strategy, and other City goals. The updated policy is anticipated to be completed by Q3 2022.

Option Overview

Option 1 - Sell all land as-is. No further land development activities beyond completion of plan amendments. Once plan amendments are complete, the land is publicly offered for sale. The City is reliant on land use plans, standards, and bylaws. Adding conditions to land sales agreements may also be a tool that could be used. However, since the majority of these holdings would not be developed in the short term, enforceability of these sale conditions would be difficult and, thus, its effectiveness would be reduced.

Option 2 - Partial development. Sale of some residential greenfield holdings and development of others with a focus on ensuring funding was available when major infill development projects required it. For land sold as-is, the City is reliant on land use plans, standards, bylaws and, potentially, sales agreements to achieve outcomes. For land the City retains for development, the City is able to directly control what is planned, designed, built and the terms of the sales agreement for the end user. The City may go above the minimum requirements of planning, standards and bylaws to achieve goals.

Scoring Overview

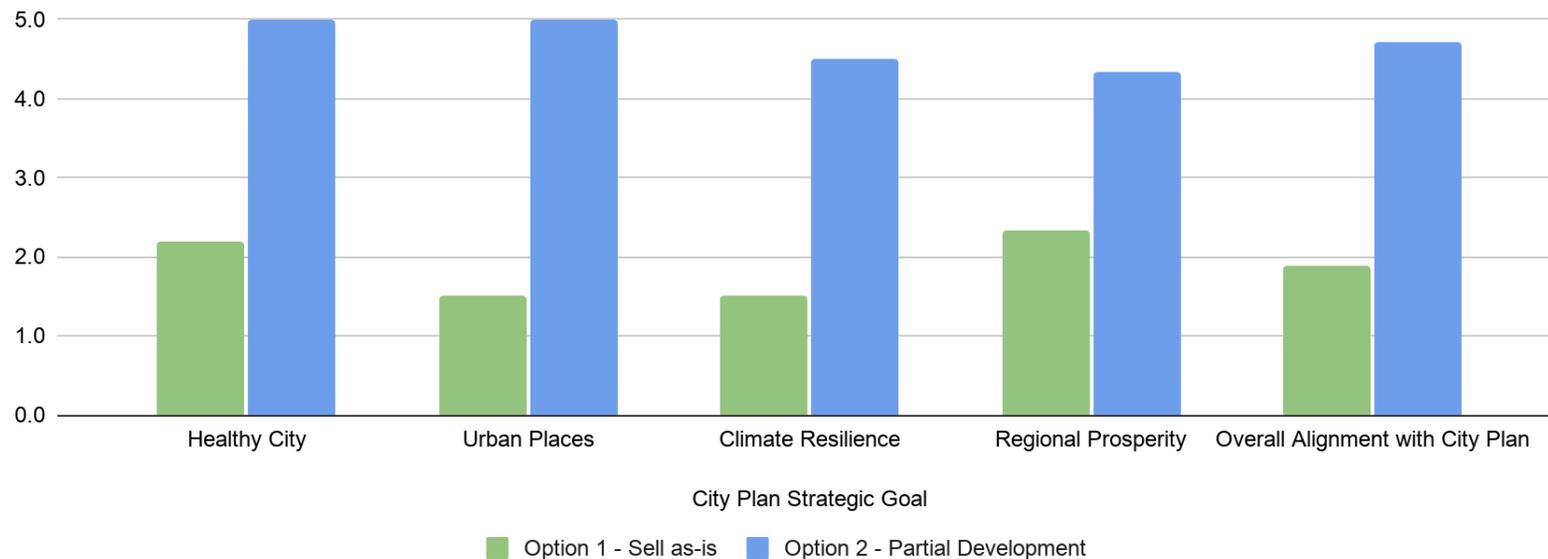
Scoring was based on each option's ability to implement the noted actions in support of the Strategic Goals provided by the City Plan. Scoring is shown as a colour for ease of viewing, however each colour corresponds to a value that was used to rank each option's ability to support the objectives in the City Plan. The available scores are the following:

-  - Score of 5. In addition to the City's regulatory powers, the City has an increased ability to realize the strategic outcome by taking direct action either through land development activities or conditions in sales agreements with lot purchasers to ensure the development achieves the strategic goal.
-  - Score of 3. The City is able to realize the strategic outcomes through its regulatory powers and potentially through conditions of a sale agreement with the land purchaser, though with limited enforceability.
-  - Score of 1. The City is unable to or would have difficulty to achieve the outcomes through its current regulatory powers.

Scoring Results

The figure below shows the average score for each option's ability to support the four ConnectEdmonton Strategic Goals as well as its support for the City Plan as a whole. In general, the more land development activities the City undertakes as a developer, the more actions it is able to incorporate into the communities it develops.

Alignment with City Plan per Option



Areas of particularly strong alignment with City Plan include:

- Creating subdivisions that promote safe living and active lifestyles through good design practices, connectivity and opportunities to enjoy the outdoors;
- Support for more diverse and inclusive forms of housing such as creating lots for housing that is affordable, varied in land use and types, age friendly, and a higher standard for sustainability;
- Supporting infill and redevelopment projects or completing pockets of undeveloped land in established neighbourhoods by redirecting funds from profitable greenfield development to projects that require significant capital investment and see lower returns;
- Being a leader and taking a continuous improvement approach to sustainability in an effort to normalize new and emerging technologies and practices with the goal of making them “business as usual” within the development industry;

- Provide opportunities for improved design and construction standards by providing an opportunity to pilot new, innovative and creative designs.
- Supporting the growth of new and small businesses by selling a portion of lots with higher level sustainability requirements directly to small builders to grow and innovate their business.

The City has a much stronger ability to achieve the goals above and the actions presented in the Scoring section by carrying out greenfield land development activities and selling fully serviced lots. This allows the City to be more intentional about how subdivisions are developed and to whom the lots are sold. Terms and conditions included in the sales agreement with the purchases of fully serviced lots are much more enforceable and, therefore, more effective. The City can be a key driver in reaching its goal of all new homes being net-zero by 2030, in alignment with the Energy Transition Strategy. By being a leader in responsible land development practices, the City can play a significant role in normalizing these types of activities within the industry. The City's higher development standards may help to grow the sustainable home-building industry. Lastly, the City may be able to demonstrate that there is a market demand for these types of developments and higher sustainability standards doesn't necessarily translate to reduced lot sales and home builder migration to neighbouring municipalities.

Scoring

For this section, a scan of The City Plan was completed to find Outcomes, Intentions and Directions that related to land development. Administration then determined relevant land development actions that could be taken to help realize these Outcomes, Intentions and Directions. Each option was then ranked based on its ability to effectively implement the actions.

Healthy City

Goal: Edmonton is a neighbourly city with community and personal wellness that embodies and promotes equity for all Edmontonians.

Summary: Potential land development actions towards achieving the strategic goal of **Healthy City** include:

- Supporting an **active lifestyle** through the creation of networks that promote activity, creating or enhancing green spaces and natural areas to encourage outdoor activities, and incorporating elements of winter design into land development projects.
- Assisting in **equitable access to housing** by undertaking land development activities that incorporate a variety of land uses to ensure a mix of housing types are provided. Create fully serviced lots in which a portion could be used for affordable housing.
- Ensure **safe access to mobility** within subdivisions by creating accessible, well lit communities.
- Include opportunities to celebrate the history and culture of **Indigenous connections to land**.
- Activate open spaces through the contribution of **Public Art** within communities

Outcome / Intention / Direction	Land Development Action	Option Impact	
City Plan		1 Sell as-is	2 Partial Development
<p>Active Lifestyle</p> <ul style="list-style-type: none"> - 1.1.1.4 - Encourage healthy and active living by supporting community-focused recreational, leisure, social and cultural programs. - 1.2.1 - Promote active communities through the design of diverse, welcoming and playful public places. - 1.3.2.2 - Increase opportunities for Edmontonians to be physically active throughout all seasons. 	<ul style="list-style-type: none"> - create communities with activity networks - create parkspace to allow opportunities for winter City designing - Integrate elements of Winter City design elements into subdivisions - Incorporate active networks within subdivisions 		

<ul style="list-style-type: none"> - 1.3.2.4 Improve and integrate winter city design through the development of buildings, the public realm and open spaces. - 2.1.2 - Support the physical and mental health of Edmontonians by integrating housing, services, amenities and natural systems with active transportation networks. - 5.1.1.1 Provide opportunities for people to access, enjoy and connect to open space and the river valley and ravine system 	<ul style="list-style-type: none"> - preserve natural areas where possible and incorporate natural elements - Ensure natural spaces are maintained where possible in areas of land development activities 		
<p>Equitable Access to Housing</p> <ul style="list-style-type: none"> - 1.3.3.1 - Partner with organizations, agencies and private sector leaders in the collective effort to end poverty and homelessness in Edmonton. - 1.3.3.4 - Enable all districts to achieve more income-diverse neighbourhoods and a greater mix of land uses. - 2.2.1 Promote compact, mixed use development within districts that supports equitable access to employment, education and amenities. - 2.2.2.1 Streamline provision of affordable housing in all neighbourhoods through continual regulatory and procedural review and improvement. - 4.4.1.1 Encourage a shift to transit and active transportation options. 	<ul style="list-style-type: none"> - create lots for affordable housing - design subdivisions with a mix of land uses and housing types - Incorporate relevant conditions into sales agreements 		
<p>Safe Access to Mobility</p> <ul style="list-style-type: none"> - 4.1.2.1 Provide safe streets and convenient pedestrian crossings that appropriately serve the context of the area. - 4.1.3.5 Provide people with disabilities equitable opportunities to participate in the workforce, access services and amenities, and contribute to the development and implementation of policies, programs and infrastructure. 	<ul style="list-style-type: none"> - Design well lit sidewalks and pedestrian crossings - Design neighbourhoods with high level of accessibility in mind (design for 8-80) 		

<p>Indigenous Connection to Lands</p> <ul style="list-style-type: none"> - 1.2.3.1 Acknowledge Treaty Six and recognize the First Nation, Métis and Inuit peoples and their connection to this land. - 3.1.1.1 Commemorate and celebrate Indigenous history and culture through the planning and design of civic spaces. - 5.2.1.5 Collaborate with Indigenous communities to understand and recognize cultural landscapes and traditional land use areas - 5.2.1.7 Partner with Indigenous communities and cultural groups to name places and spaces to be culturally reflective of the diversity of Edmonton. 	<ul style="list-style-type: none"> - Include opportunities to commemorate and celebrate Indigenous culture and connections to land through land development activities. 		
<p>Public Art</p> <ul style="list-style-type: none"> - 6.2.1.4 Integrate public art as a means of activating open space and public facilities throughout the city. 	<ul style="list-style-type: none"> - Provide areas within developments where public art can be located, where possible. - Participate in the percent for art program 		

Urban Places

Goal: Edmonton neighbourhoods are more vibrant as density increases, where people and businesses thrive and where housing and mobility options are plentiful.

Summary: Potential land development actions towards achieving the strategic goal of **Urban Places** include:

- Encourage **age-friendly design** by developing lots to be used as seniors sites, developing at grade lots so homes are more accessible and looking to areas to partner with groups for good design with 8-80 years olds in mind.
- **Increase density and housing diversity** through the creation subdivisions with diverse land uses and where possible excede density targets.
- Provide opportunities for **innovative and creative design** within communities by using flexible road design standards, trying out any new road design standards and installing innovative infrastructure.
- **Plan and design for 15-minute communities** that focus on the nodes and corridors, and active networks that connect to other active infrastructure.

Outcome / Intention / Direction	Land Development Action	Option Impact	
City Plan		1 Sell as-is	2 Land Development
Age-friendly Design - 1.1.4.3 - Integrate age-friendly design to connect seniors and reduce social isolation. - 6.2.2.1 Encourage excellence in design through advocacy, education, competitions and partnerships.	- Develop lots that can be used as senior sites - Incorporate relevant conditions into sales agreements - Develop lots where homes can be constructed at grade - limiting barriers.		

	<ul style="list-style-type: none"> - Look for areas within developments where we can partner for good design 		
<p>Increased Density and Housing Diversity</p> <ul style="list-style-type: none"> - 1.2.2.4 - Encourage medium and high density residential development that serves households above the average Edmonton household size. - 1.3.1.3 - Encourage diverse design and development in all neighbourhoods so communities can continue to evolve over time. - 2.3.1.6 Enable and encourage new growth in alignment with priority areas as outlined in Managing Growth in Edmonton - 2.3.2.6 Require that all districts meet or exceed regional density targets as they develop and redevelop over time. 	<ul style="list-style-type: none"> - Create subdivisions with diverse land use types - design subdivisions with a mix of land uses and housing types exceeding density targets - Where feasible, develop pockets of undeveloped lands in established neighbourhoods - Incorporate relevant conditions into sales agreements 		
<p>Innovative and Creative Design</p> <ul style="list-style-type: none"> - 2.1.1.2 - Design, build, maintain and operate public infrastructure to facilitate movement and universal accessibility in all seasons. - 2.3.3.5 Collaborate with private developers, utility providers and communities on innovative and creative solutions for temporary and permanent infrastructure and amenities that support the public realm. - 2.4.2.4 Design roadways and manage road rights-of-way to be adaptable to future mobility and land use needs. - 6.1.2.2 Encourage activation of public rights-of-way to allow formal and informal gathering spaces 	<ul style="list-style-type: none"> - Incorporate active networks within subdivisions that support use in all seasons - Work with transportation on the best and most flexible road design standards. - Ability to test new design standards - Provide innovative and creative solutions for infrastructure in developments - Provide areas for gathering within public ROW in communities 		

<p>Plan and Design for the 15 minute City</p> <ul style="list-style-type: none"> - 2.2.3 Ensure that walkable and attractive mixed use development occurs at nodes and along corridors in a manner that is integrated with accessible mass transit. - 4.1.1.4 Enhance street design through building and renewal to improve connectivity, amenity space and beauty. - 4.2.1.2 Plan and design active transportation and transit networks in support of nodes and corridors. - 4.2.3 Ensure active transportation networks serve a variety of purposes including recreation, commuting, commerce and fun - 4.2.3.2 Provide opportunities for universal accessibility 	<ul style="list-style-type: none"> - Redirect revenue from greenfield work to support investment in nodes and corridors - create communities with activity networks and easily connected network of streets - Plan communities with focus around the closest node or corridor - Design well connected active networks that connect to other cycling infrastructure, the river valley system and/or regional connections - Design neighbourhoods with high level of accessibility in mind - Design sidewalks and active transportation networks for 8-80 		
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Climate Resilience

Goal: Edmonton is a city transitioning to a low-carbon future, has clean air and water and is adapting to a changing climate.

Summary: Potential land development actions towards achieving the strategic goal of **Climate Resilience** include:

- Aligning with the Energy Transition Strategy, the City could **build sustainable communities** through developing net zero communities, encourage builders to build net zero homes, provide electric vehicle charging capabilities to new residential lots and redirect revenues to support infill projects.
- Encourage the **creation of sustainable green infrastructure** by installing low impact development (LID) green infrastructure, preserving natural areas and including urban agriculture in developments where possible, and potentially undertaking green energy generation in new neighbourhoods.
- Work to **protect Edmonton’s Environment** through supporting natural area conservation and leading the carbon budget initiative.
- Assist in **remediation of contaminated sites** by providing funding to contaminated surplus sites that are currently unfunded.

Outcome / Intention / Direction	Land Development Action	Option Impact	
City Plan		1 Sell as-is	2 Land Development
Build Sustainable Communities - 1.4.1 - Support Edmontonians’ transition to a low carbon future in their daily live - 2.4.1.3 Pursue emissions-neutral and net-positive infrastructure, buildings and neighbourhoods. - 2.4.2.2 Enable green energy generation and distribution systems.	- Carry out land development activities in alignment with the City’s Energy Transition Strategy - Create sustainable developments that conserve water and allow for net-zero buildings. - Take a continuous improvement approach to sustainable design		

<ul style="list-style-type: none"> - 4.4.1.2 Enable publicly accessible electric vehicle charging and encourage new developments to be electric-vehicle ready. 	<p>that can be adopted into the industry.</p> <ul style="list-style-type: none"> - Redirect revenue from greenfield work to support infill developments - Provide electric vehicle charging capabilities to each new residential lots - Incorporate relevant conditions into sales agreements - Encourage builders to build net zero - Build net zero communities - Require builders to report building energy performance to EnerGuide 		
<p>Create Sustainable Green Infrastructure</p> <ul style="list-style-type: none"> - 2.4.1 Support ecological function and energy efficiency of Edmonton's built environment. - 5.4.1.1 Manage stormwater runoff and improve water quality through the design and development of the built environment - 2.4.2.6 Prioritize and enable green infrastructure including low impact development solutions. - 3.3.2.6 Increase ecological function within non-residential areas - 5.3.1.1 Facilitate urban agricultural activities and protect agricultural operations through regulation, programming, land use and design. 	<ul style="list-style-type: none"> - Carry out land development activities in alignment with the City's Energy Transition Strategy - Encourage LID infrastructure when possible - Undertake green energy generation in new neighbourhoods. Or help fund this in other developments (ex. Rossdale/Exhibition lands) - Encourage district renewable and district energy systems for neighbourhoods 		

	<ul style="list-style-type: none"> - Incorporate natural elements into design - Where possible include urban agricultural land uses within developments 		
<p>Protect Edmonton's Environment</p> <ul style="list-style-type: none"> - 1.4.2 Ensure Edmonton's air, land and water are safe and clean. - 5.1.2.1 Improve the quality and function of habitat greenways and ecological connections within the Green and Blue Network - 5.1.2.3 Pursue the protection, management and integration of wetlands into new and existing developments. - 5.3.3.2 Establish full cost accounting for natural assets as part of capital planning and budgeting. - 5.3.3.3 Implement Edmonton's carbon budget through ongoing development decisions. - 6.4.2.1 Align, implement and monitor climate change mitigation and adaptation planning to meet local, national, and international commitments. 	<ul style="list-style-type: none"> - Carry out land development activities in alignment with the City's Energy Transition Strategy - support natural area conservation - Ensure natural spaces are maintained where possible in developments - Opportunity for City developments to lead the natural assets budgeting or carbon budget - Create net zero communities - Encourage Developer membership in the Alberta Capital Airshed and other similar groups 	●	●
<p>Remediate Contaminated Sites</p> <ul style="list-style-type: none"> - 2.1.3.1 - Require investigation of potentially contaminated sites and, where appropriate, require remediation to ensure site suitability. 	<ul style="list-style-type: none"> - Provide funding to contaminated surplus sites that do not have budget 	●	●

Regional Prosperity

Goal: Edmonton grows prosperity for our Metro Region by driving innovation, competitiveness and relevance for our businesses at the local and global level.

Summary: Potential land development actions towards achieving the strategic goal of Regional Prosperity include:

- Promoting entrepreneurship and innovation within developments by designing a mix of flexible land uses and looking for ways to promote economic development within the neighbourhoods.
- Supporting non-residential development through funding the intensification of industrial lands and providing funding to service locked industrial lands.
- Supporting regional partnerships by integrating transportation networks when holdings are close to our regional partners.

Outcome / Intention / Direction	Land Development Action	Option Impact	
City Plan		1 Sell as-is	2 Land Development
Promote Entrepreneurship and Innovation <ul style="list-style-type: none"> - 3.1.3.1 Reduce barriers for local businesses and producers to provide goods and services to the City. - 3.3.1.3 Encourage entrepreneurial opportunities through support for emerging and non-traditional workplace locations. - 6.3.2.3 Embrace innovation and calculated risk-taking in City services, programs and activities related to economic development. 	<ul style="list-style-type: none"> - design subdivisions with a mix of flexible land uses. - Where possible look for innovative ways to promote economic development within neighbourhoods. - Sell lots to small builders to allow them to grow their business 		
Support Non-residential Development <ul style="list-style-type: none"> - 2.3.1.1 Identify opportunities to facilitate redevelopment and intensification of industrial and commercial lands in established non-residential areas supported by mass transit. - 3.3.2 Promote the continuous improvement, evolution and intensification of Edmonton’s non-residential lands. 	<ul style="list-style-type: none"> - Provide funding for servicing locked industrial lands - Fund the intensification of our industrial lands. 		

<ul style="list-style-type: none"> - 3.3.2.1 Maintain land supply necessary to support continued industrial growth. - 3.3.2.2 Facilitate the intensification of non-residential areas including commercial and mixed uses along their edges to efficiently use existing infrastructure. 			
<p>Support Regional Partnerships</p> <ul style="list-style-type: none"> - 4.3.2.1 Improve multi-modal connectivity to and from neighbouring municipalities and jurisdictions within the Edmonton Metropolitan Region. 	<ul style="list-style-type: none"> - Where City developments are near other regional partners - coordinate efforts to integrate with their transportation networks. 		

Disposition Strategies and Timelines

This attachment provides the disposition strategy for each option.

Option 1 - Sell As-is

For this option Aster would be listed as a single parcel immediately. Schonsee would be split into two parcels, east and west, which would be offered for sale independently. Schonsee west is already in negotiations with a potential purchaser. Schonsee east would require plan amendment completion before listing. Goodridge would be sold as per Strategy 3 noted in the Market Analysis section in Attachment 5. This would result in approximately 20 percent more revenue being generated with only an additional 12 months of exposure time.

Timeline	Activity
Aster	
Q2 2021	Publicly offer lands for sale Anticipated exposure time of 6 - 9 months
Q2 2022	Anticipated sale closing
Schonsee	
2021	Continue plan amendments Continue land sale negotiations on Schonsee West
Q4 2021	Publicly offer Schonsee East lands for sale Anticipated exposure time of 6 - 9 months
Q4 2022	Anticipated sale closing
Goodridge Corners	
2021	Continue plan amendments Begin work to split Goodridge Corners into five to six parcels for sale
Q1 2022	Publicly list all parcels for sale Anticipated exposure time of 18 - 24 months
Q4 2022 to Q4 2023	Anticipated sale closing

Option 2 - Partial Development

For this option Aster would be listed as a single parcel. Schonsee would be split into two parcels, east and west which would be offered for sale independently.

Schonsee west is immediately saleable while Schonsee east would require plan amendment completion.

The large scale plan amendment for Goodridge Corners would be scaled back to a smaller one to revise minor items to allow the next stage to advance sooner. While the next stage is being advanced, the larger plan amendment would be re-initiated and would affect future stages. Goodridge would be developed, either fully or partially depending on funding requirements of other projects. Additional land in Goodridge Corners may be made available for sale if it was determined the additional revenue generated through that sale was essential to the advancement of other major redevelopment or node projects.

Timeline	Activity
Aster	
Q2 2021	Publicly offer lands for sale Anticipated exposure time of 6 - 9 months
Q2 2022	Anticipated sale closing
Schonsee	
2021	Continue plan amendments Close land sale for Schonsee West
Q4 2021	Publicly offer Schonsee East lands for sale Anticipated exposure time of 6 - 9 months
Q4 2022	Anticipated sale closing
Goodridge Corners	
2021	Advanced simplified plan amendment
Q3 2021 to 2046	Anticipated land development activities
Q3 2021	Resubmit large scale plan amendment
2023 to 2047	Anticipated lot sales

Financial and Market Analysis

This attachment provides the results of the financial analysis that was carried out for the purposes of understanding the financial costs and revenues for the proposed disposition options. The purpose of this review was to provide clear, comprehensive information related to each option. This includes:

- the amount of net cash flow and net income generated,
- the Internal Rate of Return (IRR),
- the income generated through investment,
- the anticipated cash flows for each option,
- combined cash flows of each option with major redevelopment and node projects to determine the options ability to support those projects, and
- a market analysis to confirm market demand and timelines for disposition through the various options.

Revenue Generation

The table below provides information related to the revenue generation for each proposed disposition option. This includes a range of total gross revenues, total net revenues, time for total revenues and the estimated Internal Rates of Return for each option. A brief description of these items is included below.

- **Net Cash Flow** is the total profits received through the sale and/or development of the lands. It does not account for the book value (cost) of lands already invested in previous years.
- **Net Income** takes into account the historical book value of land sold. Net Income represents the profitability measure against which Land Enterprise dividend payments are calculated.
- **Time for total revenue** is the amount of time it takes to realize the total gross and net revenues.
- **Internal rate of return (IRR)** is the annual rate of growth of an investment. In terms of these disposition options, the investment is represented by the capital funding required to develop lands. The initial investment of land is taken at fair market value, as opposed to historical cost.

	Option 1: Sell As-is	Option 2: Partial Development
Total Net Cash Flow	\$68.3M - \$85.5M	\$141.3M - \$189.9M
Total Net Income	\$32.5M - \$49.6M	\$105.3M - \$154.0M
Time for total revenue	1 - 3 Years	26 - 29 Years
Internal Rate of Return (IRR)	N/A%	7.3% - 11.3%

Table 1 - Revenue Generation information for each Option

The following can be observed from Table 1, above.

- The range of values illustrates a +/- 10 percent adjustment to annual revenues and costs for each project within the given options
 - It can be assumed for the purpose of simplification that the base case for each scenario is the midpoint of each range
- Option 2, partial development generates significantly higher total net cash flows and income amounts than selling as-is.
- Partial development requires a significantly longer timeline to realize the total net cash flows and income amounts than selling as-is.
- Based on a Land-At-Market assumption, IRR is highest for partial development, while selling as-is does not generate an internal rate of return (land is assumed to be held and sold at market value).

Cash Flows of Projects

This section provides the cash flows for the various disposition options that will then be incorporated into the combined cash flows. These cash flows include all costs and revenues generated through the disposition of land holdings and land development activities. They do not account for operating costs or dividend payments and do not include any investment income.

Annual inflation was added to all cash flow models. For all ELD & greenfield development projects (Heritage Valley Town Centre included), project revenues are inflated at a rate of 1.0 percent per annum and project costs at 1.5 percent per annum. For the major infill redevelopment projects (Exhibition Lands and River Crossing) the rate of cost inflation is maintained at 1.5 percent per annum over the entirety of the development timeline. Revenues inflation rates grow periodically as the level of development expands. The difference between the two development models is due to the inherent infrastructure and City building investment required for the infill redevelopment projects to gain development viability and momentum. As the infill projects proceed through their development timelines, we would expect the attractiveness and underlying value of the development lands to increase as more surety is displayed during the progression of redevelopment. The table below highlights the inflation factors for both River Crossing & the Edmonton Exhibition Lands:

Project & Inflation Type	Yrs 1-6	Yrs 7-12	Yrs 13-18	Yrs 19-24	Yrs 25-30
River Crossing <i>Revenue</i>	1.0%	2.0%	-	-	-
<i>Cost</i>	1.5%	1.5%	-	-	-
Exhibition Lands <i>Revenue</i>	1.0%	2.0%	2.5%	2.5%	2.5%
<i>Cost</i>	1.5%	1.5%	1.5%	1.5%	1.5%

Table 2 - Revenue and Cost Inflation Amounts

Major Redevelopment and Node Projects

Specific cash flows for Exhibition Lands, River Crossing and Heritage Valley Town Centre were not included in this report, however they are incorporated into the combined cash flows section below. Cash flows for these projects are preliminary in nature. As these projects evolve, so will their cost and revenue estimates. A significant consideration is that the purpose of including these cash flows is not to evaluate the validity of those cash flows, but to assist in determining which disposition option is best suited to support these projects.

It should be noted that estimated costs related to the (re)development of the projects referenced above only include estimates of those costs considered “project costs” themselves. For example, the cost of the Coliseum demolition and LRT station construction at Exhibition Lands, along with any costs related to the restoration of the Rossdale Power Plant at River Crossing, among other things, are not included in these cashflow estimates as they are not considered typical development costs.

Cash Flows for Disposition Options

Below are the cash flows for each disposition option. The cash flows account for activities related to Aster, Schonsee and Goodridge Corners only. Revenue generated from Laurel 22 sales is not included.

Option 1 - Sell as-is

This option sells Aster, Schonsee and Goodridge Corners as-is, with no additional land improvements completed.



Figure 1 - Disposition Option 1: Sell as-is - Annual and Cumulative Net Revenue

As shown in Figure 1, the cash flow represented by Option 1: Sell as-is generates all of the cash flow within the first few years, followed by no activity. This is due to the City no longer participating in greenfield residential development and the funds being fully redirected to redevelopment projects or other initiatives.

Option 2 - Partial Development

This option involves Aster and Schonsee being sold as-is with no further development, while Goodridge Corners is sold as fully serviced lots, through continued land development. All of Goodridge Corners could be developed

under this option, however, the exact level of development may be altered based on the needs of the redevelopment and major node projects as the primary objective would be to ensure there was always sufficient capital available for those projects. Surplus capital would then be reinvested into greenfield residential land development activities to generate high returns.

If there was anticipated to be a shortfall in funds available to support the major redevelopment projects, it would be possible to sell off large portions of undeveloped land to provide an influx of cash flow.

Option 2: Partial Development - Annual and Cumulative Net Cash Flows

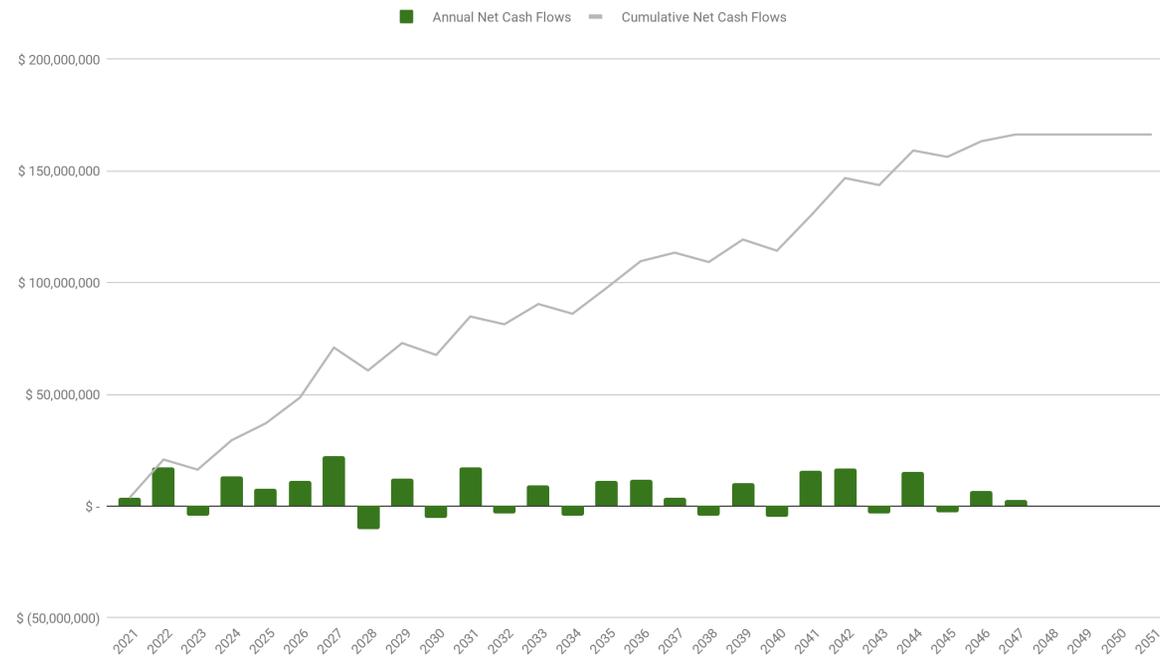


Figure 2 - Disposition Option 2: Partial Development - Annual and Cumulative Net Revenue

Figure 2, above, presents the cash flow for Option 2. The initial revenue generated in the first two years is from the sale of Schonsee and Aster. The subsequent cash flows are generated through development of Goodridge Corners.

Combined Cash Flows

The cash flow analysis below combines the cash flows of Exhibition Lands, River Crossing and Heritage Valley Town Centre and incorporates them with the Enterprise Land Development option presented. It also includes dividend payments on years with positive net revenues. These items are all combined to illustrate their effect on Land Enterprise Retained Earnings, which is the funding source for the land development activities.

For the cash flow analysis below, it is critical that the blue area representing Land Enterprise Retained Earnings has a positive balance. A zero or negative balance indicates the funding source has been depleted and other sources of funding, such as tax levy, would be required for that period.

A major assumption with this analysis is that development of the major redevelopment and node projects takes precedence over greenfield activities and should not be delayed.

The colours on the graph below are represented as follows:

- Greenfield residential land development activity is represented by **GREEN** in the below cash flows.
- Exhibition lands activity is represented by **YELLOW** in the below cash flows.
- River Crossing activity is represented by **PURPLE** in the below cash flows.
- Heritage Valley Town Centre activity is represented by **RED** in the below cash flows.
- The **AQUA** colour represents the dividend paid on years with positive net revenue on land sales.
- The area shown in **BLUE** represents the amount of funds available in Land Enterprise Retained Earnings.
- The **MAGENTA** dotted-line represents the investment return based on the information presented in the Use of a Reserve Fund section.

Option 1 - Sell as-is

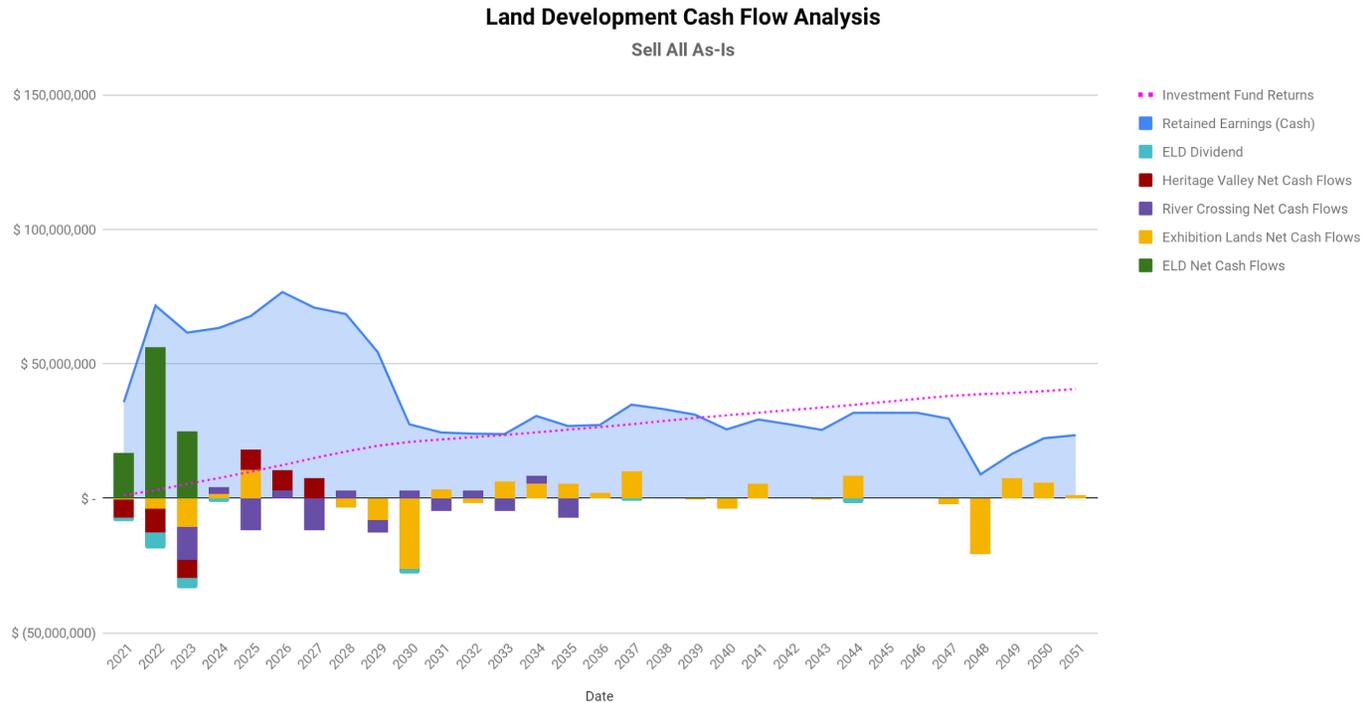


Figure 3 - Option 1: Sell As-Is Combined Cash Flow

As shown in combined cash flow, above, by selling ELD’s residential land holdings as-is, there is a large positive cash flow spike early in the timeline. While the Land Enterprise Retained Earnings balance is largely used up upon completion of the redevelopment projects, there does appear to be sufficient capital available at all times, other than the very final few years, to support all the major redevelopment projects and node projects noted above. This option has limited ability to support other projects or initiatives not yet determined, that may present themselves

over time. Following the completion of all land development activities, this option generates a total dividend paid of \$16 million and a surplus of \$18.6 million in retained earnings.

Option 2 - Partial Development

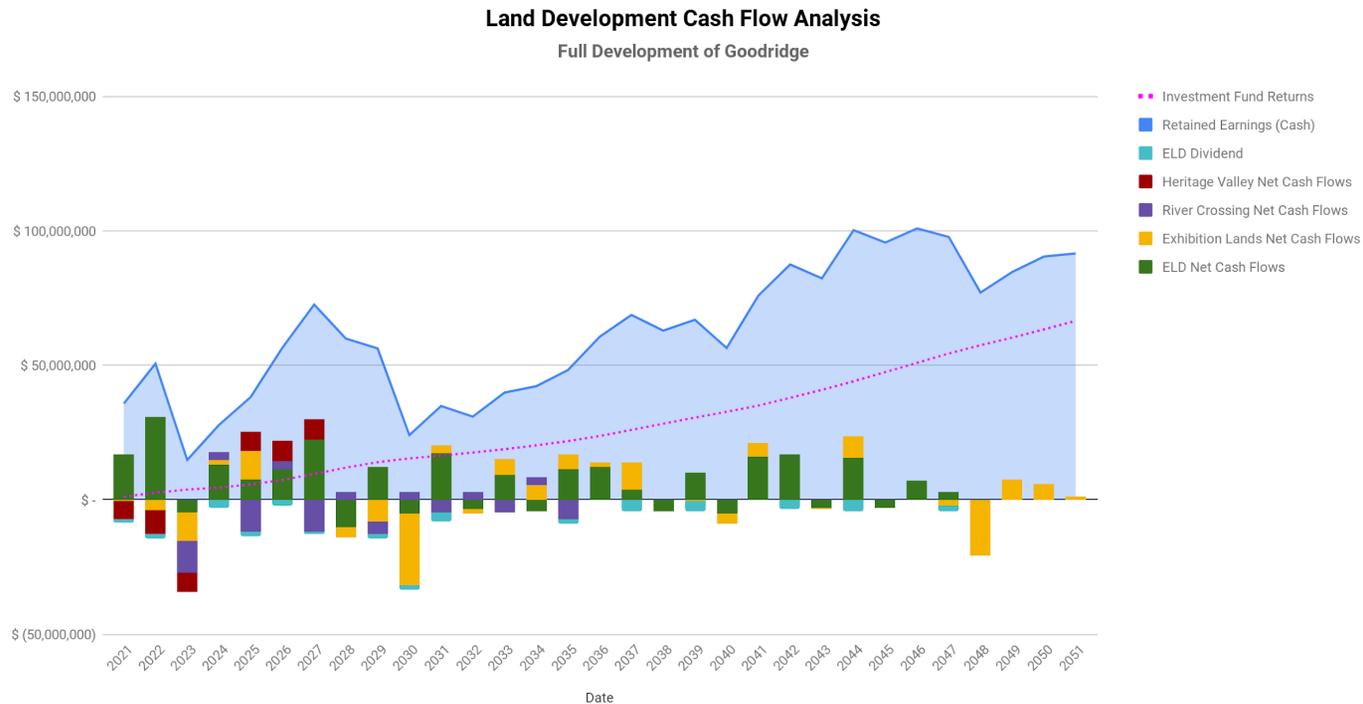


Figure 4 - Option 2: Partial Development Combined Cash Flow

Figure 4 illustrates that the initial cash flow generated through the quick disposition of Aster and Schonsee is sufficient to support the major redevelopment and node projects without delaying those projects. Continued development of Goodridge Corners generates a significant amount of surplus revenue which could then be used

for other real estate or land development opportunities that may present themselves in the future. When comparing Figure 4 to Figure 3 it can be seen that development of Goodridge Corners results in significantly more funding being available to these other opportunities than provided by Option 1. Following the completion of all land development activities, this option generates a total dividend amount of \$36 million and a surplus of \$91.6 million in retained earnings.

Use of a Reserve Fund

The section below outlines the impacts of the proposed disposition scenarios against the potential investment income that can be earned using the retained earnings (cash) from each of those scenarios. A key assumption of this analysis is that the City earns investment income on any funds held in treasury. The retained earnings balance for any City department is invested and managed as part of the overall investment and treasury mandates of the City. Therefore, any investment returns generated as a result of any of the proposed disposition strategies remain as part of the City's overall retained earnings and are not attributed to Land Enterprise or Enterprise Land Development.

Administration, with the guidance of the City's Chief Investment Officer, made assumptions as to where and how any retained earnings would be invested over the 30 year horizon of the analysis. In any scenario in which Land Development proposes using funds from the disposition of ELD projects, those funds would be invested in a blended mix of funds returning on average 3.50 percent per annum over the long term. For each option shown in Table 3, below, all ELD retained earnings would be reinvested into several proposed City Building (re)development projects with the exception of the Ed-Tel analysis option.

For Option 1A - the Ed-Tel Investment scenario, all ELD lands are sold as-is and all net cash from those sales is invested into the City's Ed-Tel Endowment Fund which has an expected return of 6.25 percent per annum. This option requires strategic withdrawals over the (re)development time horizon to ensure viability of the proposed City Building projects. Under this assumption, there are years where large capital withdrawals are required from the Ed-Tel Endowment Fund to sustain the (re)development of those City Building projects - at times in excess of

\$20M. If this assumption of access to invested funds can not be facilitated in practice, there would be an estimated \$67M funding shortfall to complete these projects which would have to be filled from alternative funding sources. It is important to note that, for any funds to be invested into the Ed-Tel Endowment Fund, or special withdrawals made, changes would be required to Bylaw 11713.

The table below highlights the investment returns from each disposition scenario over a 30 year period. In the table, below:

- *Row A, Investment Return / Dividend to Corporation* illustrates the total investment return by each option. For Options 1, 2 and 3, these investment returns do not flow back to Land Enterprise but instead remain as funds that accrue to the corporation. For Option 1a, these dividends are paid to the corporation on an annual basis.;
- *Row B, Ending Retained Earnings Balance* illustrates the amount of funds left in retained earnings after all accounting for all the costs and revenues related to the land development activities;
- *Row C, Ending Fund Balance* illustrates the amount of funds which were originally generated through the sale of the ELD land holdings, that is left in the Ed-Tel Fund after all withdrawals have been made to support the (re)development projects. This row only applies to the Ed-Tel Investment option; and
- *Row D, Total Cash Flow to Corporation* is the sum of Rows A, B and C, and represents the total net benefit to the corporation for each option presented, after accounting for all the investment income as well as land development activities.

	Option 1: Sell As-Is (Blended Fund)	Option 2: Partial Development (Blended Fund)	Option 1a: Sell As-Is (Ed-Tel Investment) ¹
Investment Return / Dividend to Corporation ^(A)	\$39.5M	\$66.5M	\$62.3M
Ending Retained Earnings Balance (2051) ^(B)	\$18.6M	\$91.6M	\$14.5M

Ending Fund Balance (2051) ^(C)	N/A	N/A	\$19.0M
Total Cash Flow to Corporation ^(D)	\$58.1M	\$158.1M	\$95.8M
BLENDED FUND: (A)+(B)=(D) ED-TEL FUND: (A)+(B)+(C)=(D)			

Table 3

As shown in Table 3, above, Option 2: Partial Development, generates the highest return, while Option 1: Sell as-is generates the least.

In Option 1a, despite having the highest investment return at 6.25 percent per annum, the withdrawals that are needed to support the major redevelopment projects erodes the principal balance and reduces the overall investment return. This results in it having a lower Total Cash Flow to the Corporation than Option 2, but higher than Option 1.

As noted above, funds held in treasury are invested as part of the city's overall investment and treasury management strategy and generate investment returns for the corporation. As such, no special reserve or fund needs to be created to allow proceeds from land development activities to generate returns through investment as this already occurs through standard City practices. It should also be noted that the investment returns for Options 1 and 2 in Table 3 are in addition to the revenue generated in Table 1 and flow back to the corporation, not retained earnings. These amounts are not included in the combined cash flow analysis discussed earlier in this document.

Market Analysis

Selling As-Is

In 2020, Administration retained Altus Group to complete a market study related to the disposition of the City's Aster, Schonsee and Goodridge Corners land holdings. The primary goal for the studies was to confirm market demand existed if the City were to list its greenfield land holdings for sale, as-is. Altus also presented

recommended strategies for disposition and expected timelines the City could anticipate it would take to sell the holdings.

The study considered residential macro market analysis and location specific market demand analysis, including demand drivers, and likely development timeframe. The development timeframes noted in the Altus study are in general alignment with previous development timeframe analysis work completed by PricewaterhouseCoopers (PWC) and presented to Council. The Altus study also considered development and land ownership trends, included a local developer survey on relevant market information, reviewed comparable transactions, and analyzed several other elements that would have a potential impact on the demand and saleability of the land holdings.

In general, the market studies found the City would be able to sell their holdings as-is within a reasonable timeframe, if listed.

A summary for each holding is presented below.

Aster

The study anticipated that Aster has a five to ten year development horizon. The study noted that:

“development is well entrenched in southeast Edmonton, with various groups actively developing in the surrounding area. Based on demand projections presented in [the market study], residential unit demand for southeast Edmonton is considered



to be strong, and the development of the subject parcel in the mid-term would be supported by the market.”

To sell the lands as-is, the recommended disposition strategy for Aster would be to undertake a plan amendment and sell it as a single parcel to a single, strategic developer. Anticipated timelines would see Aster publicly listed for sale by Q4 2021. It is expected that an exposure time of six to nine months would be required to sell the property at market value.

Figure 7 - Aster

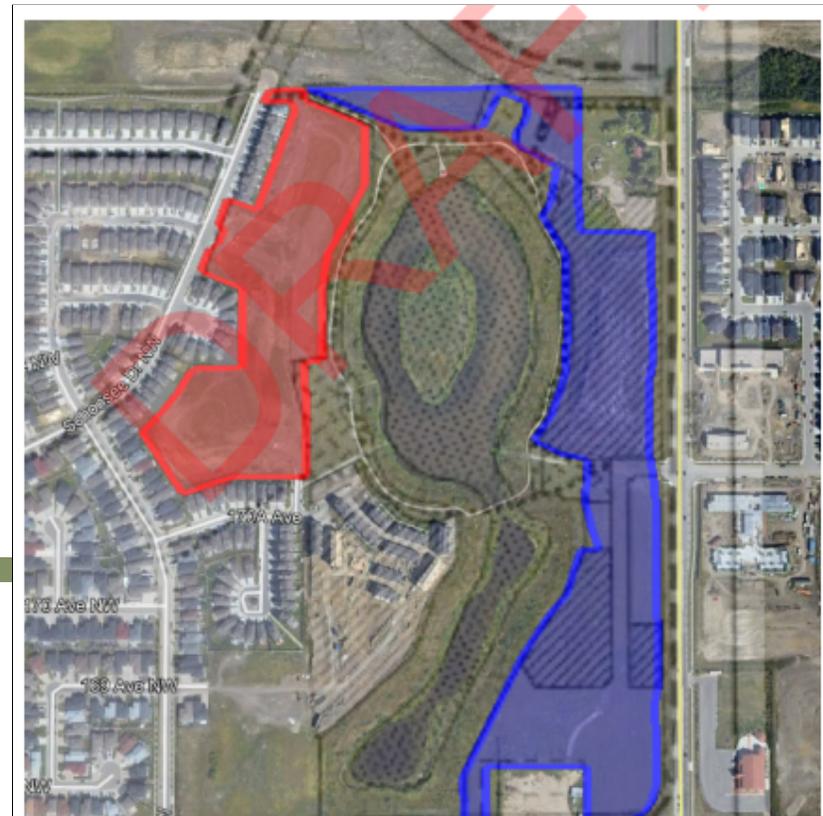
Schonsee

The study anticipated that Schonsee has a three to five year development horizon. The study noted that:

“the subject property is already well-positioned for sale and would likely garner considerable interest if brought to market today”.

To sell the land as-is, the recommended disposition strategy would be to split Schonsee into east and west sections to be sold separately. It noted

“Schonsee West would be marketed and sold to a developer seeking immediate development potential, whereas Schonsee East would be sold based on its short- to mid-term development potential. This disposition strategy would attract a multitude of smaller and mid-sized developers in the local market given the efficient size and development momentum in the immediate area”.



It is expected that an exposure time of six to nine months would be required to sell the property at market value. It should be noted that the City is already in negotiations with a purchaser for Schonsee - West.

Figure 8 - Schonsee East and West

Goodridge Corners

The study anticipated that Goodridge Corners has a 15 to 20 year development horizon. It noted a significant consideration in the disposition of this parcel is the overall magnitude of the lands. In total, the lands comprise over 400 ac of land, and would be a significant undertaking by any single developer. As such, the study considered three disposition strategies for consideration if the City were to sell the lands as-is. The strategies, as presented in the study are the following:

Strategy 1: *Sell off the entire parcel en-bloc; short-term disposition strategy (9 to 12 months)*

Strategy 2: *Divide the parcel into two sections (east and west) along the future collector road; subdivide the east portion into mid-sized parcels based on future designated land use and planned roadways and sell off each subdivided parcel individually; sell off the entire west portion en-bloc; mid-term disposition strategy (12 to 18 months)*

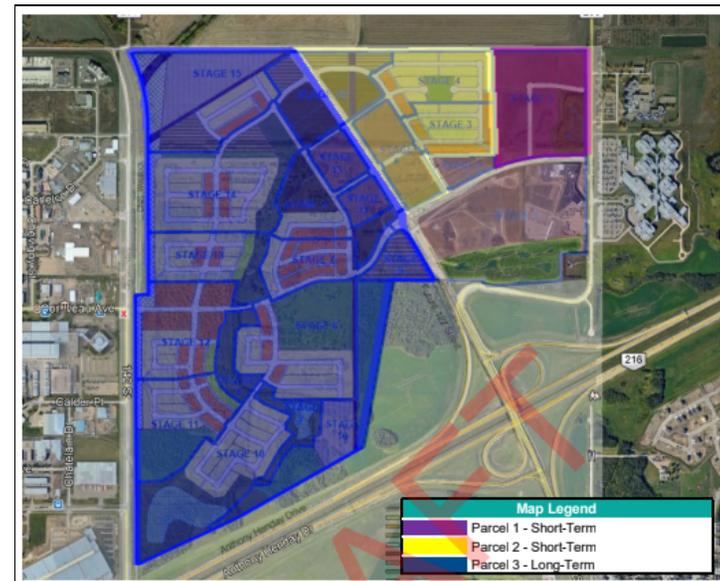


Figure 9
Goodridge Strategy 2

Strategy 3 (Preferred Sell as-is Strategy): Divide the parcel into two sections (east and west) along the future collector road; subdivide the east portion into mid-sized parcels based on future designated land use and planned roadways and sell off each subdivided parcel individually; subdivide the west portion into larger-sized parcels based on future designated land use and planned roadways and sell off each subdivided parcel individually; long-term disposition strategy (18 to 24 months)

The Altus analysis anticipated that Strategy 2 will generate approximately five percent more revenue than Strategy 1 and Strategy 3 will generate approximately 20 percent more revenue than Strategy 1.

The cashflow analysis of Option 3 - Partial Development indicates that initial support for the Exhibition Lands and River Crossing projects does not rely on the proceeds from the sale of Goodridge Corners. As such, there is no urgency to receive the proceeds of sale from this development. Given that Strategy 3 is anticipated to generate an additional 20 percent of revenue than Strategy 1 with only an additional six to twelve months of exposure time, it is recommended that the City proceed with Strategy 3 for Goodridge Corners.

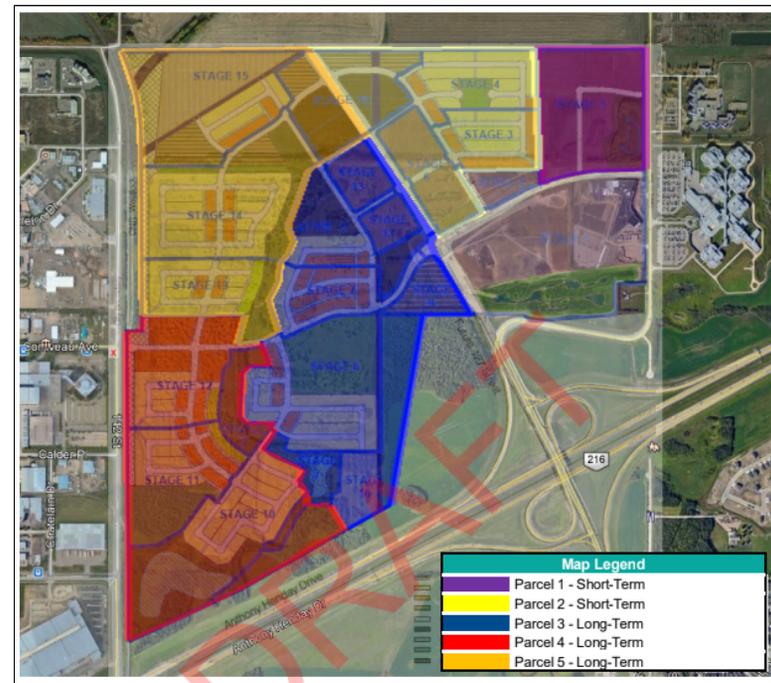


Figure 10
Goodridge Strategy 3

Land Development

Future market demand for development of the City's holdings was previously analyzed by PricewaterhouseCoopers (PwC). In that analysis, it was found that the City's current holdings would require approximately 25 years to fully develop. The development horizons noted in the Altus report generally align with the PwC analysis. From the previous analysis, the following is the anticipated development horizon and lot sale timelines:

- **Aster** - subdivision planning and servicing of the Aster lands are to commence in 2030 and be substantially completed by the end of 2033. Following completion of site servicing, lot sales are projected to occur, with all lots sold by the end of 2035.
- **Schonsee**
 - Schonsee East - planning and servicing of the Stage 20 and 21 lands are to take approximately two years. Following completion of site servicing, lot sales are projected to occur, with all lots sold by the following year.
 - Schonsee West - continue negotiations with purchaser with the intent to close the sale in 2021.
- **Goodridge Corners** - planning and servicing of the Goodridge Lands are to commence in 2021 and be substantially completed by the end of 2046. 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 2047.

Small Builders in Enterprise Land Development Projects - What We Heard

Administration has reached out to small builders for their input on the future of the Enterprise Land Development program at the City. Small home builders, those that typically build between three and ten houses a year, are one group that is positively impacted by Enterprise Land Development's work and the lot draw process.

This engagement assists Administration in understanding how changes to the Enterprise Land Development work will impact small business owners, the small trades they hire and the impacts to the overall success of their businesses.

What We Asked

If the City was no longer in the land development business, how would that affect your business?

What We Heard

How Enterprise Land Development supports small business

- Small builders hire small trades allowing small businesses to succeed (x6)
- Sense of security, honesty and equity when purchasing from the City (x4)
- Even when other areas are slow, City developments are still in demand
- Supporting small business creates a diverse economy
- Income to small builders and trades helps feed families and run households. (x6)
- Small builders are able to build lots in their community.
- Lots in Edmonton are easier to sell
- Through the Enterprise Land Development program the City helps to sustain small businesses
- Some builders' have grown their business mainly through City lots. (x3)
- The City sets a high standard for housing quality and this sets the standard for the industry. Focus on quality over quantity (x2)
- City is a reliable source for lots.

Sustainability¹

- The green requirements the City imposes allows builders to gain knowledge of building green. (x2)

¹The City's Energy Transition Unit offers purchasers a \$25,000 Green Building Grant to any builder that builds a net-zero home.

- All homes in City developed neighbourhoods are required to be built solar ready;
- All homes must be built at least 15% better than the referenced house (referenced house being code). This is third party certified by an Energy Advisor. Most homes are achieving much higher standards because they are following the advice of the Energy Advisor that the purchaser contracted.

- They have become a better builder because of the Green requirements.
- Other developers do not require green building standards (x2)
- The City focuses on efficient homes, sustainability and green building not required by other developers. (x3)
- Less carbon footprint means people are living better and healthier lives.

The homebuilding industry without Enterprise Land Development projects

- Small building company(ies) may have to shut down (x7)
- Lot prices for small builders would be higher (x7)
- Home quality would be lower
- Homes in neighbourhoods would be less diverse
- In large developer owned neighbourhoods, the only lots offered to small builders are undesirable lots. (x5)
- Public would be unable to hire a builder of their choice and customize their home. (x4)
- Many developers have a minimum number of lots builders have to purchase. Small builders would not be able to afford multiple lots. (x5)
- Small builders would be pushed out to surrounding municipalities. These lots are slower to sell (x4)
- Large developers have their own, or their preferred builders. Small builders would not be a priority. (x3)
- Large developers and builders would get larger creating a monopoly (x5)
- Large builders do not hire small trades people and these companies will lose work. (x6)

Overview of Enterprise Land Development Lot Draw Process

Enterprise Land Development sells developed lots through a lot draw process. A portion of the lots are designated to builders through a builder draw and the balance of the lots are designated to citizens through a public draw. The draw process allows an equal opportunity for all interested buyers to register their name or company into the respective random draws for an opportunity to purchase a lot, or in the case of a builder, a package of three lots. Selling lots in this way allows for citizens and small builders to purchase a lot or package of lots in Enterprise Land Development's communities. City-developed lots have sufficient demand that all lots are sold out through the lot draw process.

As shown in Table 1, below, there is exceptionally high demand for City greenfield, residential lots. Despite there being a relatively small number of lots made available for each phase in Laurel 22, there are large numbers of people and builders registering for the chance to acquire one of them. The number of registrants has increased with each phase and the limit on the number of people who could register was effectively removed after 2019 due to demand from the public. In 2021, there were 8,644 people who submitted their name for a chance at acquiring one of 35 lots made available to the public and 163 builders who registered for a chance to acquire one of 14, three-lot packages. In most cases, all lots available were sold in a single day. The instances where that was not the

case was due to Administration adjusting the process to follow COVID-19 guidelines.

Lot Demand

Laurel 22						
	Phase 1 (2019)		Phase 2 (2020)		Phase 3 (2021)	
	Builder Lots	Citizen Lots	Builder Lots	Citizen Lots	Builder Lots	Citizen Lots
# of Lots Available	38	39	36	31	42	35
# of registrants	19	2,000	65	2,661	163	8,644
Limit on registrations	19	2,000	50,000	50,000	50,000	50,000
Date registration was open	Mar 11/19	Mar 29/19	Mar 9/20	Apr 1/20	Mar 1/21	Mar 8/21
Time registration was open	37 Mins*	79 Mins*	5 days	7 days	7 days	7 days
Date of Lot Draw	Mar 25/19	Apr 15/19	Mar 31/20	Apr 15/20	Mar 19/21	Mar 29/21
Days to sell all lots	1	1	1	2 *	1	2

Table 1 - Information on Lot Demand

Sustainability Requirements

Lots are sold with conditions and design guidelines related to sustainability such as BuiltGreen targets and being solar-ready. These conditions and design guidelines are tied to a performance fee that is refunded if the goals are achieved. The City facilitates information sessions for all lot purchasers to connect them with organizations that can assist them in achieving the required targets. Following completion of home construction, the house is evaluated to determine if it achieved the goal set out in the sales agreement. Once compliance is confirmed, the performance fee is returned.

As shown in Table 2, below, all lots sold in Laurel 22 have sustainability targets. While the majority of homes are still under construction in these subdivisions, of the 29 that are complete there is a 97 percent success rate in achieving those targets. This success rate is consistent with previous subdivision developments in Laurel and Oxford.

Laurel 22			
	Phase 1 (2019)	Phase 2 (2020)	Phase 3 (2021)
# of Lots with Sustainability Targets	All 77	All 67	All 77
# of lots complete as of January 2021	29	None	None
# of completed lots achieving targets	28	n/a	n/a
% of lots achieving sustainability Targets	97%	n/a	n/a

Table 2 - Sustainability Information

Detailed comments received from small builders

For further reading, the following are the notes from direct discussions with individual builders. All personal information has been removed from the comments to protect the privacy of the individual. Additionally, references to specific companies have been removed.

Builder 1 - I would not be able to get lots and be forced to buy left over lots from other developers that are not as desirable. I'd probably end up overpaying and have to build under a different builder name (back end contract - silent contract because the developer won't allow any other builder other than who they are contracted with). So my houses will have another builder's sign on the lot. Buying from the City, there is a sense of security; I bought lots from another developer who ended up folding/went bankrupt and all deposits paid on the lots and my performance fees are lost. In Aster, one builder bought all duplex lots, there is no motivation for that builder to add value when building the home and they go the cheapest route (ie. not extending driveways, least expensive everything in the home, double pane windows, baseboards minimal size, cheapest railing, etc). The City adds credibility to the industry, diversifies the industry and treats everyone equal whether you're building 1 home or 10 homes. Some developers are not only developers but have building companies too. Pricing is not competitive, no motivation for the builders to up the ante and build better homes. City developments also keep people working - when other developments are dead, City developments are booming - that speaks for itself. People also feel safer buying from the City - they know they are getting a good product. Lots of small trade businesses are also succeeding/flourishing - 30 to 40 different trades per house - local companies are being supported & flourishing by people who purchase lots in City developments. It's a bigger picture, the bigger builders use the same big trade companies house after house. They would not even entertain hiring a smaller trade company like the people hire in The Meadows. Small builders and trades get an opportunity to grow and flourish, it's a win-win These small trades won't be hired by big builders, etc. It's been a positive experience, I am a better builder because of the green requirements the City imposes on their buyers. The homes in the area are diverse and the floor plans are not cookie cutter homes. I know other large developers do not impose green requirements nor do they require blower door tests. The homes in City Developments are much more efficient and are built much better.

Builder 2 - My company will have to shut down. I don't have the option to buy from other developers because I only buy 3 lots per year and if I get a chance to buy a lot, it is only leftover lots that the builders in that neighborhood couldn't sell and the developer is selling that lot at a premium price for an undesirable lot.

Other developers cannot hold the monopoly - what type of homes are going to be built, they don't require sustainable green building, they don't offer custom floor plans, you have to choose from Plan A, B or C. Small builders will not thrive, nor will small trades. Also the public who want to buy a nice lot and hire a builder of their choice, they won't have that opportunity. Builders in other developments don't want another builder to come in.

Builder 3 - I value working with the City and if the City gets out of this business of developing and selling lots, I lose that extra income which helps me to feed my family and run my household. The City has created so many jobs for so many people - smaller trade business and creates a diverse industry. The City really nailed it, by creating a niche that has never been done - by selling to smaller builders and citizens and requiring sustainable homes. I have learnt so much from the City requiring sustainable building. It is a great opportunity and a blessing to learn all the innovative things they have implemented. Other developers do not encourage sustainable building, they worry more about their bottom line. The City set the bar high and well. The City of Edmonton sets the standards for this industry. City developments raise the standard of houses in Edmonton, City has a great business model.

Builder 4 - If the City gets out of the business of developing and selling lots, it would be difficult for me to buy lots and build. I am a small builder, I would have to close my business because I cannot buy 10 lots at one time which other developers want. There is no risk buying from the City & selling houses in City development. Other developers may offer lots in smaller communities like Spruce Grove, Fort Saskatchewan, Beaumont and the house sits on the market for too long. City offers lots in our community and are easier to sell.

Builder 5 - The big developers would just get bigger and they have their own building companies. They just give us scraps at the end. We would not get a chance to grow our company. One large builder has their own home building companies who get first priority on their lots and at the end, there may be 5 lots or so left and that is what we get to choose from at a hugely inflated price. The big guys are getting bigger and bigger and crushing the small business. Why is the City giving the monopoly to large developers?? Not good for small businesses. Big developers will push us to the surrounding communities. If it was not for the City of Edmonton selling lots in Laurel, a lot of small builders would have never had the opportunity to build in that area.

Builder 6 - We are a small builder. We don't get lots from big developers. The City helps us to sustain our business. It is an extra boost for our business. We will be affected negatively. All small tradesmen would not have a job. Big builders only deal with set trade companies. We help out those who are not big shots. This would impact many small trades people and will impact supporting their families. The City also offers for those who want to customize their home which is something the big builders don't offer. Energy efficient homes, sustainability, green building, different lot sizes, the City is better to work with. People are living in better homes and healthier. Less carbon footprint. How will small builders survive, they rely on City lots.

Builder 7 - This would negatively impact my business. My first lot was won through a public lottery and I have grown my business by buying City lots since then. Other developers have big builders who they already work with and would not consider small builders like my company. City also required green building/sustainability, a better home in the end. City should not give the control to big developers who have all the control. Working with the City is much easier. Buyers prefer houses built on City developed areas, because of the trust factor that comes with The City of Edmonton. Big Developers already have their group of trades, small builders hire smaller trade companies so everyone succeeds.

Builder 8 - Big developers only sell lots to big builders. They won't sell me lots. I would be forced to buy from other developers at a higher price for what is left over if they are willing to sell to me. Small trade people will also be affected - no work, big developers won't hire them.

Builder 9 - It would have a big effect. Big developers will offer you lots outside of the City not in Edmonton. Small builders do not want to go outside Edmonton. It is very important for the City to stay in the land development business. Developers sell at inflated price and price changes, depending on who wants to buy the lot.

Builder 10 - That is no good. Small builders like me won't get lots. Big developers would only use their own building companies to build and not sell to me. I can't buy 25 lots at one time. It's like the mafia - big developers will have everything, that's not right. I will not be in business. Small tradesmen will also be not working.

Builder 11 - This is a problem. The lottery system is fair. The issue is that other developers charge more for the lots and send us to the outskirts. Our holding

costs are higher because it takes longer (6 months to a year) to sell the home. However, The City gives us a chance to diversify and build custom homes in City developed subdivisions. No other developer will allow a builder to buy 2 or 3 lots. The smaller builders and trades will not be able to survive. The City helps these builders maintain their business. The City also imposes green building which no other developer requires.

Builder 12 - It would impact negatively. We are a small business and depend on City developments. Big developers will not give lots to small builders unless there is left over, after the show homes have moved. There is also no traffic in the area which makes it harder to sell. You have to pay extra for each lot - up to \$25,000. City lots are more reasonably priced. The big builders and developers want to shut down small builders (those who build under 10 houses per year). If we have to pay more for the lot, the profit goes to the developer or whoever you buy the lot from. Or you get a leftover lot that is hard to sell and holding costs add up. In today's market, you are lucky to make \$50K on a house. If the City does not develop land, the small tradesman will also have no work and suffer. Big builders have their own group of trades. The City is the only developer who requires green building. Other builders in non City developments do not build green. They are only concerned about profit. Meadows houses are built better and greener.

Builder 13 - We have clients who want to build with us in the SE and due to the lot inventory shortage, it is not easy to accommodate the long list of customers and to find a lot. At least with the City, there is a chance to get some lots and build for these particular customers. Why does the City want to consider giving up a good thing?

Builder 14 - This would have a bad effect on our business. Our financial status would go down. We depend on lots from The City to keep our company going. Because of having the opportunity to buy lots and sell homes with The City, we are able to keep our household running and pay our bills. My husband also frames houses in The Meadows, he would have no work there either. Tradesmen also are busy and depend on the work that is there. People prefer to buy City lots because of the Built Green requirements and that the quality of the home is better. Land is located well and near everything, like a hub. The City lot price is better than other developers are offering.

Builder 15 - This will affect us greatly. The City is a reliable source of lots. I don't think the City should not stop developing lots. The City is not biased and is honest. A decision like that would impact small business too, smaller trades,

cleaners, finishing work, suppliers. If it is a one man show, there will not be diversity and lot prices will be hugely impacted at higher prices. Private developers will have the monopoly. Why would the City even consider this? Private developers do not impose green sustainable building. Private developers look at the quantity of sales, not the quality of the home. What happens to the individual citizens who can buy one lot and build, how will they get an opportunity to build for themselves.

Builder 16 - If the City no longer develops lots, that would be really bad for us. It would decrease my business because I rely 100% on city lots. The tradesman wouldn't have work either - 35 to 40 tradesmen per house who are smaller companies. Small builders give work to small trades people. I have been able to grow my business by having the opportunity to purchase from the City. That would be lost. Private developers would only sell me the leftover lots that are not desirable and hard to sell. City is genuine when selling lots and honest. Everybody gets equal rights to buy lots when dealing with the City. City is the only developer who gives small builders a boost and distributes lots fairly, which is my experience over the past 5 years.

Builder 17 - It would affect me negatively. I rely on the City's developed lots to grow my business. Small trades would have no work. Private developers only sell better lots to bigger builders, we only get leftovers.

Builder 18 - If a big developer buys all the land for example, we would not get any lots. There will be a definite effect on me and my company. The City is fair and treats everyone equal. Does not matter if a small builder or a builder who is a bit larger, everyone has the same opportunity. We have bought lots over the last 5 to 6 years. We started our company with City lots. I don't have the opportunity to buy from other developers, they want big builders, they don't want small business men. It is only City lots that keeps my company alive. Small trades will not have business either and their families will suffer. Think, builders on City lots all use smaller tradesmen, think about how many people will not be working. City lots are the tradesman's security that they will have work too. Why does the City want to give the entire monopoly to big developers who then control the lot prices that will be higher.

Builder 19 - This would affect us big time. We rely on the City to develop land and have access to a few lots a year. Other developers have their own building companies within their development companies. They will hand over the lots to their builders - I will use [redacted] as a company who does that. Their building

companies get the first opportunity on their lots. If there is anything left, we get not so desirable lots at a much higher price. Plus if big developers control all the developments, the lots prices will take a huge jump in price. If there are no City Lots (South Edmonton), this quadrant of the City is already controlled by other developers. The City should develop land all over the City. What will happen to the small trades people, they will have no work. Big developers/big builders will not use smaller companies/trades. I have customers waiting for a home in the next phase and I hope to get lots. If not for City lots, customers will end up paying more for a lot and get much less in return (smaller lot). The City is a better developer, private developer lots are so small and congested and you pay more for smaller lots. I have been working with the City for 4 years now and want to continue.

Real Estate Advisory Committee (REAC) - What We Heard

The Real Estate Advisory Committee (REAC) was created by the City Manager in 2016 to respond to Council's direction to access the expertise of private sector developers who offered to assist the City in reviewing its land inventory and informing Administration decisions with regard to developing City land. The committee includes members of Administration as well as the development industry. The group's mandate is to provide non-binding advice to help inform decision making on real estate matters.

Administration continues to engage with REAC on the City's Enterprise Land Development (ELD) holdings. Since the March 9, 2020 City Council Meeting, Administration has met with REAC to continue our discussions on the future of the Enterprise Land Development program at the City. Administration consulted with REAC on three separate occasions on ELD specific matters.

In general, the opinion of the industry members of REAC is that the City should sell its holdings as quickly as possible and the City should not continue with greenfield land development.

On June 25, 2020, Administration presented a disposition strategy for the City's holdings in Aster, Schonsee and Goodridge Corners to gather feedback from the group. Administration proposed the following:

- That Aster complete its plan amendment and sell as-is, in a large single parcel;
- In Schonsee, continue discussions with adjacent landowners to sell or swap logical portions of land to allow each landowner to have developable parcels. Split the majority of Schonsee into east and west sections to be sold separately.
- Continue development of a portion of east side of Goodridge Corners and then develop a strategic stage in the west that:
 - Unlocks development in the west;
 - Obtains major provincial and federal approvals;
 - Allows parallel development in multiple locations;
 - Shortens development timelines for Goodridge; and
 - Increases value of undeveloped land in the west.

What We Asked

Enterprise Land Development (ELD) Program

- Should there be any additions or changes to the guiding principles?

The Guiding Principles presented by the City were:

- 1. Logical and orderly disposition that ensures land parcels are developable*
- 2. Sell land in manner that takes into account market factors*
- 3. Generate revenue in an appropriate timeframe to support other opportunities*
- 4. Adopt an iterative approach to revisit strategy and adjust accordingly*

Disposition Options

- Is there another way to dispose of the land that avoids both a “fire sale” and protects us from sterilizing land holdings?
- Does the strategy allow for flexibility and adjustment to market factors?
- Will this strategy allow the City to generate higher per acre land values?
- Will this strategy shorten development timelines in Goodridge Corners?
- Is this the most logical disposition strategy for Schonsee, Aster, Goodridge, and the program as a whole?
- Is there a better disposition strategy and why?

What We Heard

Enterprise Land Development Program Generally

From the June 25, 2020 Meeting

- The guiding principles will help to ensure that highest value for the City.
- Each City holding is unique and market forces will have different impacts in different areas. Each holding should be dealt with separately.
- The market as a whole is large enough that ELD holdings will not flood the market.
- Long term development timelines are not less valuable than short term timelines.
- Selling larger parcels of land makes servicing a private sector responsibility.
- It is better to divide these properties into larger portions for developers. Might get different timelines but that could be beneficial.
- The City could go out to market with some lands and test the market and see if it could get the value it wants. If the market is not at that level yet the City could step back and try again another time.
- The investment into development is quite large at these early stages, in order to recoup the costs the land would have to sell at much higher values. This will be too expensive for smaller developers and larger developers are not interested in smaller parcels of land.
- Residential real estate potentially has some post COVID changes coming. Might have a market through the next two to three years but that might disappear by 2025 to 2027. What was attractive in density will be less attractive in the short term. So good demand for single family or

townhomes in the short term, and probably back to more density in the longer time.

Site Specific Advice

Goodridge Corners

- Starting development at Goodridge Corners will actually devalue the land.
- There are developers in the area who would see Goodridge Corners as a good revenue stream for the next 15-20 years. A developer would want to start from the beginning to have control over branding, marketing and architectural controls. etc.
- Recommending that the City sell all of Goodridge Corners to one or two developers to control and develop.
- Timing is important for the sale of Goodridge Corners. There will be competition from the outlying community close by. The regional context in this area is important to be aware and careful of. It would be best for the City to sell Goodridge Corners immediately.
- List the 409 acres for a year and see what offers would come.
- Another option could be to divide the land on 127 Street and service the East side of the land and leave the west side unserviced. Developers would see value in both options.
- City should continue the work with the neighbouring municipalities or Department of National Defence or give longer due diligence timelines because the servicing agreements could get complicated.
- Overall servicing is required but detailed design and servicing may not add value for the City.
- 400 acres is a major advantage and something large developers work for many years to acquire. This is a golden egg.
- No guarantee smaller lots will develop any faster.
- The City should work with Sturgeon County and the landowner to the North for servicing. It could add an external recovery or at least foster cooperation between municipalities.
- Approved lower density in Goodridge is very appealing. As a developer you can ask for more density if the market goes there. But almost impossible to bring down the density

Schonsee

- The strategy in Schonsee is a good approach.

Aster

- Is realistically 10 years away from starting, the City should bring it to market after the plan enhancements.

On May 29, 2020, Administration consulted with REAC to gather feedback on a potential land swap opportunity in Schonsee that would result in more developable parcels. The consultation was done in anticipation of Administration potentially seeking Council approval for the swap due to the sensitivity around funding being held in abeyance for other capital profiles.

What We Asked

- Is the proposed land swap a good idea?

What We Heard

- The land swap makes sense.
-

On March 2, 2021, Administration provided an update to REAC on it's response to the March 9, 2020 Council motion and provided an overview on the approach taken for the report.

What We Asked

- Do you still support the recommendation to sell everything as-is, with no further development
- Do you have any thoughts on what may be some other potential City building real estate catalyst opportunities?
- Are there particular areas with the City Plan that you feel land development activities play a part?

What We Heard

- For UDI / REAC, it is frustrating that we're coming back with options to develop portions of the land.
- The 2021 market is as good as 2017. There will be a lot of greenfield development.
- Market has been strong over the last year with low interest rates. We are missing the prime selling season for this land.
- Risk is a big factor that can't be ignored.
- Follow through with the motion and get these on the market, so we can capitalize on that.
- The Development Industry does not agree that development and population can shift from greenfield to infill as outlined in The City Plan.
- If the City keeps putting up barriers to greenfield development then that could be reflected in the City's ability to sell those lands.
- Developing portions of the land and/or parceling it up will devalue the land.
- Risk is a big factor that cannot be ignored. This (new 2021) proposal is a big step backwards after an additional year.
- Get some of the parcels on the market where there is an under supply in the region.

How ELD can support other City Building Initiatives and the City Plan

- The City could take the money from the ELD holdings today and invest it in other City Building Projects for a quicker turnaround.
- Helping out with underground services that are missing and transportation access, technology
- Helping out with OE's and then recovering. Some OE's present a barrier that is so large it prevents development from advancing
- Leave high risk opportunities to the developers
- Would like to see the City move into areas like the Edmonton Energy and Technology Park where private industry can't make sense of the challenges and advance development in the area

Financial and Corporate Services

Edmonton

**CR_8197 Enterprise Land
Development Program Update
Additional Information**

City Council
May 3, 2021

Summary of Information Presented to Committee

<i>(\$millions)</i>	Sell As-Is	Partial Development
Net Cash from Sales	\$68-\$86	\$141-\$190
Land Enterprise Retained Earnings (Ending Balance - 2051)	\$ 19	\$ 92
Investment Income from Retained Earnings	\$ 40	\$ 67
Dividend Payment to Corporation	\$ 16	\$ 36
Total Available Funds	\$ 75	\$ 195
Fastest Fund Generation	✓	-
Most Opportunities to Support The City Plan	-	✓
Support Small Business	-	✓
Positive GBA+ Impact	-	✓

Recommendation from Executive Committee

1. That Administration, following the completion of any currently underway plan amendments, prepare the City-owned greenfield residential/mixed-use land holdings in Aster, Schonsee and Goodridge Corners neighbourhoods for sale, as is, with target public offering timelines of:

- a. Q2 2021 for Aster;*
- b. Q4 2021 for Schonsee; and*
- c. Q1 2022 for Goodridge Corners.*

2. That the proceeds of sale be directed to Land Enterprise Retained Earnings.

* Goodridge would be listed as a single parcel to maximize return, as per industry recommendation, without the bulk discount that would typically be seen on a listing of this size.

Impacts of Recommendation

Benefits

- No longer competing with private industry
- Quick generation of proceeds
- Support for Exhibition Lands, River Crossing and Heritage Valley requires full use of the proceeds for sale

Potential Risks

- Lower overall revenue generation
- Limited ability to support other infill or City building opportunities
- Reduced dividend and interest revenue
- Potential funding gap for real estate estate services external to the program

Use of Proceeds

Proceeds Directed to Retained Earnings

- Retained Earnings to be used as funding source for:
 - Heritage Valley Town Center - Approved by Council in 2020
 - Exhibition Lands - EC just accepted on April 26, 2021
 - River Crossing - following Council approval
- Administration will bring forward capital profiles for these city building projects for future Council approval
- Future Council's may prioritize other city building projects

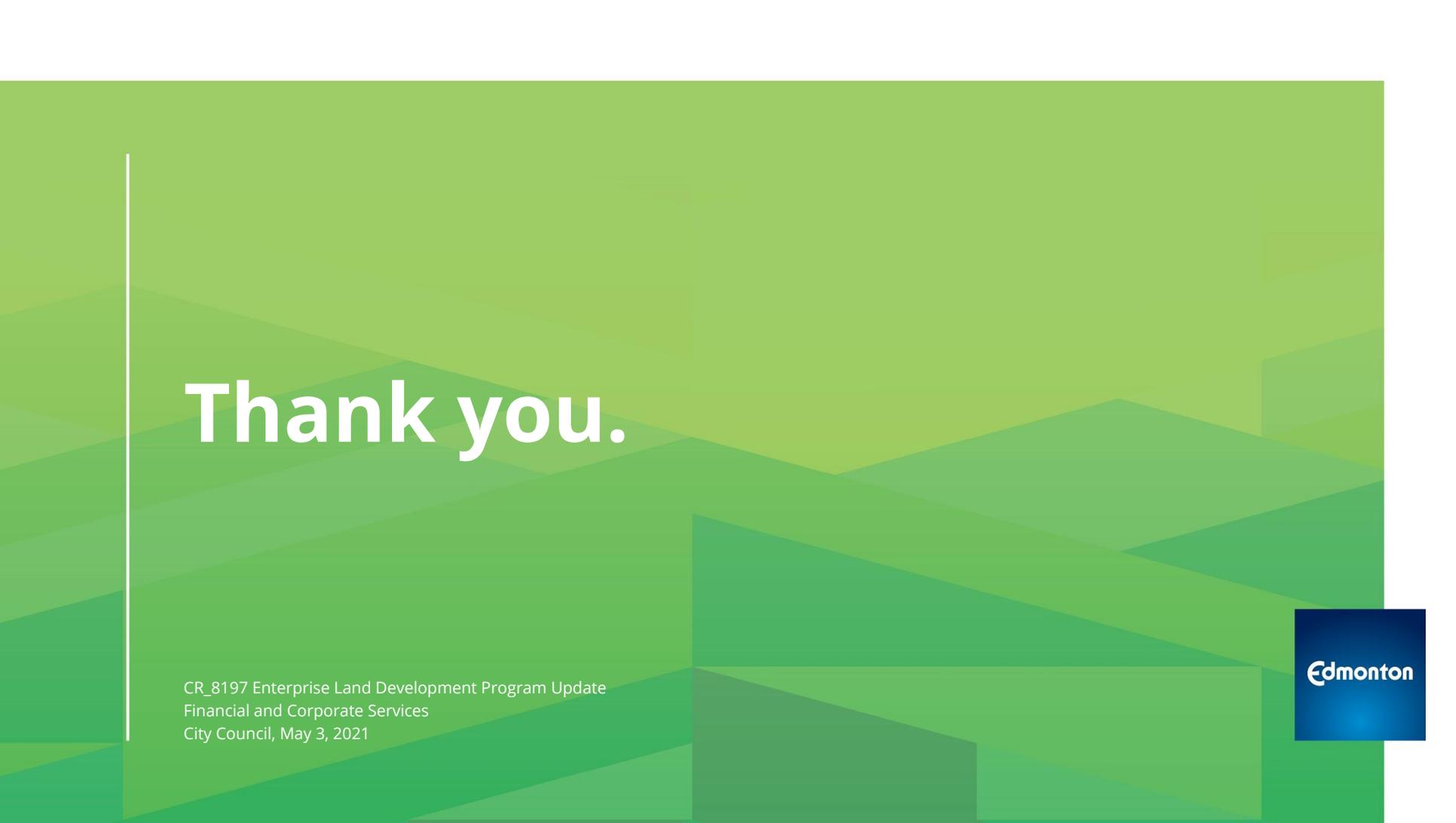
Corporate Investment Practices

Retained Earnings

- Retained Earnings acts as a reserve fund.
- Funds identified for use in Retained Earnings are invested in short, medium and long term investments, along with all other funds held in Treasury, based on the timing of cash needs.

Challenges with Dedicated Investment Fund

- Recently approved Exhibition Lands Implementation Strategy identifies Land Enterprise Retained Earnings as the funding source.
- Preliminary Exhibition Lands and River Crossing cash flows would make it difficult to accurately determine short and long term cash needs



Thank you.

CR_8197 Enterprise Land Development Program Update
Financial and Corporate Services
City Council, May 3, 2021



Edmonton