

Land Governance Strategy

Recommendation

That the November 6, 2018, Financial and Corporate Services report CR_5328, be received for information.

Previous Council/Committee Action

At the March 13, 2019, City Council meeting, the following motion was passed:

1. That the November 6, 2018, Financial and Corporate Services report CR_5328 and the March 13, 2019, Financial and Corporate Services report CR_6613, be postponed to the April 2, 2019, City Council meeting.
2. That the following items be dealt with together at the April 2, 2019, City Council meeting:
 - Land Governance Strategy
 - Land Governance Strategy - Additional Information
 - City Land Development Strategy Update (M. Walters)
 - Joint Venture Development - Organizational Options (S. Hamilton)

At the November 6/7, 2018, City Council meeting, the following motion was passed:

That the November 6, 2018, Financial and Corporate Services report CR_5328, be postponed to the February 27, 2019, Non-regular City Council meeting, and that Administration provide a report with the following additional information, to that meeting:

1. A comprehensive overview of the current governance, policy and management strategy for all city land assets.
2. An analysis of how our current land assets are managed in alignment with Vision 2050 and how these land assets may be leveraged more strategically to achieve city goals and policy objectives.
3. An update on the work and findings of the Real Estate Advisory Committee.
4. The current net value of all city of Edmonton land within Enterprise Land Development and Land for future municipal purposes.

Executive Summary

Land management policies and guidelines provide a framework for how a municipality acquires and manages real estate and disposes of real estate that is declared surplus to civic need.

Administration has developed a new Land Governance Model to strengthen the corporate approach to land management. Key directions include:

- distinguish Enterprise Land Development (ELD) from the balance of civic operations;
- preclude Land Enterprise Retained Earnings (LERE) being used as an interim funding source for non-ELD purposes;
- conduct a regular review of all civic land holdings to identify surplus property that can be sold; and
- channel the net proceeds from the sale of surplus civic use property to the Corporation rather than a department, business area, or project.

Administration will bring a proposal to establish a new self-funded Reserve for net proceeds from the sale of surplus civic property for Council's approval in late 2018 / early 2019.

Report

Background

In 1985, the City adopted the Land Management Policy (C410), which was repealed in 1999. Under this policy individual City departments were the primary decision-makers regarding the use and disposal of land holdings. Policy C410 challenged Administration's ability to maintain a consistent and accurate record of City-owned real estate holdings and created friction between departments with respect to managing interdepartmental land transfers. Additionally, the policy inhibited the sale of surplus civic property.

In 2003, Administration developed a new Land Management Strategy that included guidelines to address issues resulting from Policy C410 and to centralize the majority of land management activities within the former Asset Management and Public Works Department. However, the strategy was unsuccessful in encouraging departments to review land holdings on a regular basis to identify lands no longer needed and did not promote a corporate land management approach, therefore City Departments continued to independently manage City-owned land.

Land Enterprise Retained Earnings (LERE) are the accumulated net earnings of Land Enterprise which are used to fund Enterprise Land Development (ELD) operations and to provide an annual dividend to the City. LERE were historically

permitted to be used as an interim funding source for strategic land acquisitions involving land identified for future civic purposes. This funding source was intended to be short-term to facilitate opportunistic land purchases for municipal projects. It was intended that LERE would be paid back through a project's capital profile once approved, but with risk that projects may not be approved or timelines that were uncertain. Land Enterprise currently holds a working capital deficit of \$46 million accumulated through the purchase of land for future civic purposes.

Use of LERE as a source of interim funding for civic use land purchases had the advantage of enabling quick decisions relative to opportunity purchases, but with reduced transparency and process rigor. It also reduced the capacity of ELD to conduct its operations by diverting LERE to other municipal purposes.

Current State

In 2018, Administration developed a new Land Governance Model to replace the 2003 Land Management Strategy. Cross-departmental engagement led to the development of an integrated model based on the following direction:

- a) Land management decisions are made from an integrated perspective with input from across the corporation, rather than from a departmental perspective.
- b) ELD will continue to be a self-funded enterprise, but will be financially distinct from other civic operations to increase accountability and transparency while continuing to pay an annual dividend to the City (aligning to Land Enterprise Dividend Policy - C516B). ELD will also continue to meet the objectives of the Land Development Policy (C511), and contribute to the City's Strategic Plan, by ensuring 50 percent of all residential lots developed by ELD are made available for sale to individuals and small builders, promoting sustainable built forms, contributing to affordable housing initiatives, improving climate resilience, ensuring a three year supply of serviced industrial land is available within the City, and investing in infrastructure to catalyze development where appropriate.
- c) LERE will not be used as an interim funding source for acquiring civic purpose real estate. Major strategic land acquisitions arising out of an opportunity in the marketplace can still occur, but would require decision of Council at time of acquisition, supported by a business case with financials, timelines, and funding sources (excluding LERE) for each civic use, the surplus land component (if any), and any non-recoverable costs such as roads adjacent to school sites or parkland.
- d) The City's real estate holdings will be reviewed regularly. Holdings not required for civic purposes will be declared surplus and sold to generate sale revenue and increase property tax revenue.

- e) The net proceeds of sales of surplus civic property will accrue to the Corporation and not to individual departments, business units or projects. Exceptions include: surplus civic real estate that was acquired using grant funding; real estate held by a utility; reserve land, as defined in Section 616 of the *Municipal Government Act*; land acquired using Community Revitalization Levy funding; and enterprise land (eg. Blatchford, Enterprise Land Development).

In Q1 2019, Administration will review the existing City policies to identify areas of potential conflict and develop strategies to address any incongruities with the new Land Governance Model guidelines.

In addition to the new Land Governance Model, in late 2018 / early 2019, Administration will bring a proposal to establish a new self-funded Reserve for Council’s approval. The proposed reserve will hold the net proceeds from the sale of surplus civic property, subject to the exceptions noted above. Administration intends to seek Council’s direction on how to use the funds from within Reserve, with the potential to use the proposed Reserve to address Council priorities, including the reduction of the working capital deficit. Administration will also propose that the Reserve fund the costs incurred to bring surplus civic property to market, as well as future real estate investment purchases. Further information related to the Land Governance work plan is found in Attachment 1 Land Governance: Past & Future

Stakeholder Perspectives

Administration continues to be assisted by private industry to maximize the potential of surplus land sales, most notably by the Real Estate Advisory Committee (REAC) formed in September 2016. REAC is composed of members from the Urban Development Institute (UDI), Canadian Home Builders Association (CHBA), National Association for Industrial and Office Parks (NAIOP) and City staff with planning and real estate expertise. REAC reviews potentially surplus civic use property and provides advice about how to maximize utility and value. In addition to promoting public / private sector relationships, REAC has provided advice on over 300 City holdings. This supported Administration in identifying holdings with the best potential and that are now being prepared for sale.

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)
Sound financial policies and practices	Value of Land Enterprise Retained Earnings used to	TBD	\$0 (2019)

	fund the acquisition of municipal use real estate		
	Reserve payment available for a use directed by Council, including potential paydown of the land enterprise working capital deficit	TBD	Forecast payment of \$4 to \$5 million (2022) If 100% of reserve payments are allocated to the working capital deficit, it would be expected to be fully paid off by the end of the 2026 budget cycle.

Attachment

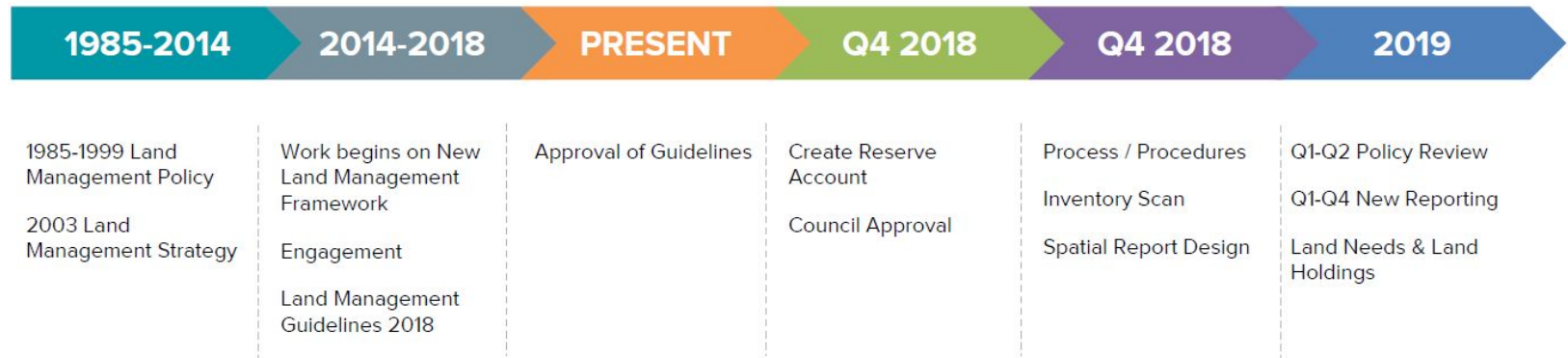
1. Land Governance: Past & Future

Others Reviewing this Report

- R. Smyth, Deputy City Manager, Citizen Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- K. Armstrong, Deputy City Manager, Employee Services
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development

Land Governance: Past & Future

Land Governance: Past & Future



Results:

- Corporate perspective to Land Management
- Surplus Property Sales Generate Revenue for Council
- Enterprise Land Development Fully Transparent & Accountable
- Process Established for Regular Review of Land Inventory
- Regular Reporting of City's Land Holdings
- Process for Prioritization of Land Needs
- Collaborative Strategy to Enable Future Land Purchases