

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

RECOMMENDATION

That the October 12, 2022, Integrated Infrastructure Services report IIS01335, be received for information.

Requested Council Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work as we achieve our strategic goals.	Healthy City, Urban Places, Climate Resilience		
City Plan Values	BELONG. LIVE. ACCESS. PRESERVE.		
City Plan Big City Move(s)	A community of communities A rebuildable city Greener as we grow	Relationship to Council's Strategic Priorities	Mobility Network Community safety and well-being 15-minute districts Climate adaptation and energy transition
Corporate Business Plan	Transforming for the future		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • City Plan • Energy Transition Strategy • Blatchford vision 		
Related Council Discussions	<ul style="list-style-type: none"> • CR_1123 Blatchford Concept Plan Implementation Analysis - Project Business Case, City Council, June 10, 2014 		

Previous Council/Committee Action

At the June 7, 2022, City Council meeting, the following motion passed:

That Administration provide a report on the progress land development at Blatchford that provides the following:

1. A brief summary of:

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

- a. the goals contained in the Original Business Case and progress to date;
 - b. all costs incurred since the Blatchford Business Case was approved including but not limited to all consultant costs, personnel costs and development costs;
 - c. Summary of all sources of revenue (municipal and private); the original project schedule, specifically regarding the pace of development and predicted sales by year;
2. A net present value analysis of projected land net sales revenue versus property tax revenues:
 - a. using the current development model;
 - b. Employing a different model that sets land sale values at minimum suburban development values.
 3. An analysis of potential development options that could see faster realization and maximization of lot sales revenue, including options for additional partnerships with private sector entities to develop some or all of the remaining undeveloped land, while maintaining current density, energy, sustainability and green building requirements.

Executive Summary

- Blatchford is a bold and transformational land development project that furthers multiple City building goals. It supports and advances the strategic direction of The City Plan. It directly supports three of the four goals of ConnectEdmonton, including healthy city, urban places and climate resilience. The development will also serve as a model of sustainable community design, supporting the goals outlined in the City of Edmonton's Energy Transition Strategy and Action Plan.
- City Council positioned Administration as the land developer, recognizing that a municipality is uniquely positioned to take on the leadership role and the time required to keep Council's long-term vision in mind while advancing this City-building initiative.
- Administration is achieving Council's ambitious vision and is building a complete community designed around public spaces, mobility, people-first design principles, sustainability and community resilience.
- The 2014 development timelines were aggressive and could not be met for a number of reasons including real estate market conditions, Council's decision on district energy and the innovation required for sustainable development. However, while ambitious timelines were noted in the business case, the actual development timelines are in alignment with the private land development sector.
- The private land developers engaged in initial discussions have not identified an interest in developing the land unless the vision for Blatchford is adjusted providing less restrictions on density and sustainability requirements.
- An exercise calculating the net present value of two scenarios was performed. The first was based on the current development model. This resulted in a net present value of \$38.8 million. The second analysis is based on a model selling 50 per cent of the remaining land to be developed to private developers and the other 50 per cent following the current development model. This results in a net present value of negative \$78.2 million. The lower net present value under the private developer scenario is mainly due to lower revenue from sale of

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

unserviced land to developers. Additional property taxes and reduced future land servicing costs would not be sufficient to offset the lost revenues and upfront costs incurred by the City.

- Administration can continue to refine processes to advance development on the site as fast as the market will permit while maintaining a positive financial outcome and achieving Council's vision.

REPORT

City building and climate resilience

Blatchford is a bold and transformational land development project. It is not only a community meant for the people that will choose to live, work or study in the neighborhood, it is also a project that furthers multiple city building goals.

Blatchford supports and advances the strategic direction of The City Plan. The City Plan charts out the choices needed to grow Edmonton into a healthy, urban and climate resilient city of two million people. The plan outlines how design fosters a sense of place, where medium and high density development are possible and where safe, high-quality public spaces are realities. It speaks to energy efficient redevelopment, reducing energy use, improving transit and encouraging local renewable energy. It also addresses how community design can be used as a key for innovation and strategic growth. Blatchford is being designed to achieve all of these city building outcomes.

Blatchford is at the heart of one of only six major nodes in the city and is identified by the growth management framework as a priority growth area, contributing to the overall infill growth targets for the redeveloping area of the city.

Blatchford supports several of the pathways identified in the City of Edmonton's Energy Transition Strategy and Action Plan and is an opportunity for the City of Edmonton to demonstrate leadership on how to design and build communities to support resilient cities. It features low impact design, energy efficient buildings and one of the largest district energy sharing systems in the country, making Edmonton a leader in community led renewable energy systems.

Blatchford is being custom designed from the ground up to be a people-first infill community that prioritizes connected streets, vibrant public spaces and active modes of transportation supported by premium transit. The community is designed with flexible multi-unit housing instead of single family homes. The homes, combined with local retail connected by walkable and bikeable streets and prioritized public spaces, will provide a unique urban, family-friendly lifestyle available in cities around the world, yet missing in Edmonton. The community exemplifies a 15-minute community as the neighborhood design intentionally focuses on creating compact, well-connected spaces with a diverse mix of land uses so people are able to access their daily needs by bike, transit, or foot.

Additionally, as the land develops, Blatchford will become a destination neighbourhood for all Edmontonians and visitors. With a new 80-acre central park, walkable retail shops and services located throughout the community, a civic plaza for farmers markets and festivals, and a vibrant

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

town centre with pedestrian only streets, Blatchford is being custom designed to bring people together.

Business plan goals and progress to date

In 2010, City Council set the exciting and ambitious vision for the development of this land:

“Blatchford will be home to up to 30,000 Edmontonians living, working and learning in a sustainable community that uses 100 per cent renewable energy, is carbon neutral, significantly reduces its ecological footprint, and empowers residents to pursue a range of sustainable lifestyle choices.”

In 2014, City Council approved the business case for the development, providing Administration with an implementation strategy for achieving the vision and a preliminary cash flow projection. At the same time, City Council positioned the Blatchford office as the land developer, recognizing the unique and transformational nature of the development and understanding that the City of Edmonton is best positioned to take on the leadership role required to keep the long-term vision in mind to advance this city-building initiative.

Administration has implemented the goals outlined in the business plan into the current planning, design and construction of the community, and is achieving Council's vision. The individual goals listed in the business case showcase the integrated and holistic approach that is required to achieve the vision. Administration is designing every element of Blatchford with purpose, allowing these individual design elements and the community infrastructure to work together to achieve multiple social, environmental and financial outcomes.

Details on the goals and photographs depicting the implementation of these goals are in Attachment 1.

Carbon neutral and 100 per cent renewable energy

In addition to the goals above, the business case also noted the community's long-term vision to be carbon neutral with the use of 100 per cent renewable energy. The goal for carbon neutrality and use of 100 per cent renewable energy is a long term goal that will be achieved as the neighbourhood develops. The approved business case is included as Attachment 2 and was originally shared as part of Integrated Infrastructure Services' report CR_1123rev (Blatchford Concept Plan Implementation Analysis - Project Business Case) at the June 10, 2014, City Council meeting.

In order to achieve this goal, the community has been designed to first address the primary sources of emissions. Edmonton's Community Energy Transition Strategy and Action Plan identifies that commercial/institutional buildings, residential buildings and transportation are three of the four major sources of greenhouse gas emissions in Edmonton.

For Blatchford, enhanced building standards have been developed that result in buildings being up to 37 per cent more efficient than minimums as established in current national codes. The codes address building envelope design and construction, building systems efficiency and other sustainable building features such as energy-efficient appliances, water conserving fixtures, air quality and construction waste.

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

All homes and buildings in Blatchford are also required to connect to the district energy sharing system (or are required to be net-zero carbon without connecting to the system). At full build out, Blatchford Renewable Energy's system is anticipated to be one of the largest district energy sharing systems in Canada. The system is projected to provide all heating, cooling and hot water needs in the community from renewables, dramatically reducing greenhouse gas emissions and increasing energy resilience.

To address emissions from transportation, Administration is designing Blatchford to make walking, cycling and transit the safe, convenient and natural choice, resulting in people using active modes of transportation and transit over vehicles. The street and cycling infrastructure is designed with different users and different seasons in mind and it ensures the whole trip is taken into account with supporting infrastructure like bike storage. Blatchford is also being designed to be a complete community so daily needs can be met in a small footprint. Two LRT stops in the community will support residents and visitors not only in Blatchford, but in the surrounding communities, with easily accessible premium transit.

Development timelines

The approved business case provided the following development activity assumptions for the west side of the site: 250 residential units annually commencing in 2015 and 500 annually commencing in 2018. These 2014 development numbers provided a moment-in-time assumption of anticipated market absorption. These anticipated timelines were aggressive, and this report provides more realistic timelines for development.

As the land developer, Administration's role is to design and prepare the land for private home builder construction. While the original business case assumed the land would be ready for home construction in 2015, the land was not ready for residential home builder construction until 2018. The additional development time to service the land for home builders was required due to:

1. Council decision on the district energy sharing system

The energy system used in Blatchford plays a critical role in setting the community on the path to achieving carbon neutrality and the use of 100 per cent renewable energy. While the 2014 business case identified an ambient loop system with geo-exchange as the preferred option, in 2016 City Council paused the implementation of this option and directed Administration to further investigate other on and off-site renewable energy options.

City Council approved the ambient district energy sharing system with geo-exchange in December 2016. This decision allowed Administration to move forward on the energy system design for the development. Building a renewable energy utility for a community of this size is a first in Canada and following approval in December of 2016 time was required to engineer, design and construct the core infrastructure in the community.

2. Community development set up and commitment to sustainable development

Following approval of the business case in 2014, Administration needed to develop Blatchford specific custom zoning, architectural controls and green building codes to serve as the guiding documents for the development of the community. This additional time was required for the

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

customization of processes and documentation to achieve different outcomes in the neighbourhood.

At the site, Administration removed the former airport infrastructure to bring the site to a developable state. Administration also had to complete a significant amount of upfront servicing work, including creating connections to off-site utilities and building the stormwater pond.

3. Innovation in community design

While the Blatchford office is part of the City of Edmonton, it is required to follow the same development approval process as a private land developer. In order to achieve the goals outlined in the business plan, additional time was needed for design and approvals of engineering documentation that varied from design and construction standards. For example, the first stage of the Blatchford community took approximately two years to approve vs a standard 100 day approval time. This additional time was required as the Blatchford office submitted several custom design features in order to achieve the vision.

To date, the project has already served as proof of concept for new ideas, including narrower streets, reduced parking requirements and the acceptance of secondary and garage suites in townhouses.

Now that the new design standards have been approved, the approval process for subsequent stages has been significantly faster.

Administration will continue to provide quarterly operating and capital financial updates through the regular financial reporting process. Going forward, and in alignment with private land development industry standards, Administration will provide anticipated pace of development yearly rather than relying on previous forecasts. This will allow Administration to provide an informed forecast that addresses impacts from the overall housing market conditions and other internal and external factors that may positively or negatively impact development timelines.

Costs incurred since Blatchford Business Case approval

The Operating and Capital expenditures related to the Blatchford development as well as all sources of revenue are listed in Attachment 3.

Net present value analysis

An exercise calculating the net present value of two scenarios was performed. As the market is not likely to support more home sales than the current model both scenarios include the same number of parcels:

- The first scenario was based on the current development model. This scenario assumes the City of Edmonton will develop Blatchford in accordance with the business plan and makes assumptions on the cost to construct and the timing of the construction, the timing of borrowings to finance the development, the continuation of leasehold interests and the ultimate sale of property.
 - This resulted in a net present value (NPV) of \$38.8 million. The NPV is higher in this scenario as the City is able to earn a return on final land sales.

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

- The second scenario assumes 50 per cent of the remaining land to be developed will be sold to private developers and 50 per cent of the land to be developed following the current development model by the City. The second scenario makes assumptions on the cost to construct and the timing of the construction, the timing of borrowings to finance the development, the continuation of leasehold interests and the ultimate sale of property, and an added assumption to adjust the cashflows for property tax revenue to be collected for the period between the sale of land to the developer and the sale of a property to a homeowner. As the market is not likely to support more home sales than the current model, the parcel sales would be split between the private developer and the Blatchford office. The second analysis includes the property tax revenue resulting from the sale of unserviced land to private developers. As the timing of sales to home builders is consistent between the two scenarios, this property tax increase is applicable only to the period in which the land is being developed.
 - This results in a NPV of negative \$78.2 million. This is largely due to the reduced revenue as a result of selling unserviced land, which has a lower market value, to private developers.
 - The City of Edmonton has already invested in a number of one-time upfront costs (remediation, expropriation costs, off-site servicing) in anticipation of future revenue. These costs may not be fully recovered through unserviced land sales to private developers, resulting in unrecoverable upfront costs for the City. The lower go-forward stage specific development costs incurred by the City and additional property tax collected from developers until the property is sold to the final property owner would not offset the lost sales revenue on selling unserviced land to developers.

In both scenarios, the Blatchford office would still be responsible for the upfront and community cost including stormwater management facilities, major plazas and central parks. The private developers would be responsible for servicing, including underground, surface and landscaping of their parcel. Attachment 4 shows the potential cash forecast and assumptions supporting the net present value calculation along with key differences in each scenario.

Potential development options

Land development timelines

In order to provide development options that could see faster realization and maximization of lot sales revenue, it is critical to first determine a reasonable expectation for the time required to develop 536 acres of land, including allowing for the time required to build a leading sustainable community that will achieve Council's goals.

In comparison to other developments, neighbourhoods developed by private land developers can take up to 10 years to move from initial planning to the first home being occupied, as substantial planning and engineering work needs to take place before the first home builder's start. In Blatchford, residents moved in less than seven years after the airport closed.

Blatchford already has ambitious development timelines with full build-out expected to take 20-25 years. A comparison to development timelines for other Edmonton communities is provided in Attachment 5.

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

Land development process

As outlined in Attachment 6, Administration is largely following the same process for developing land at Blatchford as a private land developer would for developing land outside of Blatchford. The key differentiators are due to the additional requirements required to meet the vision for Blatchford while adhering to City of Edmonton standards, both of which add to the time required to develop unserviced land into saleable lots.

Current status

On the west side of the site, the first four stages in the community include 33 parcels of land (57.43 acres), including townhouse blocks, multi-unit townhouses and 4-6 storey buildings. All of this land is either already sold or pending sale with home builders. While the home builders determine the exact number of units for their buildings on the multi-unit land, Administration anticipates these first four stages will include approximately 1,100 townhomes and apartment units.

Administration is also negotiating a significant number of potentially large scale land sales, including for the development of the town centre and a significant opportunity to develop approximately 26 acres on the east side of the site. Current home builders in the community have expressed interest in future stages and conversations are also ongoing with larger multi-unit builders who are interested in purchasing significant amounts of land.

Of the 536 acres available on the Blatchford site, approximately 250 acres is not considered developable land as it is being allocated to park green space, schools, storm ponds, streets and public spaces. A map showing the developable land, including the current and planned development underway, is in Attachment 7.

Future options and opportunities for faster realization of development

Administration was able to bring Blatchford's first parcels to market in 2018. Given the large size of the site, and in comparison to other land development projects with less ambitious goals, Administration believes a 20-25 year development timeline is still a reasonable target.

However, as per Council's direction, Administration started an initial investigation to determine if additional partnerships with private sector entities to develop some or all of the remaining undeveloped land, while maintaining current density, energy, sustainability and green building requirements, would result in faster development on site.

The Blatchford office engaged key members of the Urban Development Institute who provided a group of well-established Edmonton land developers to discuss the possibility of the private development industry purchasing and developing land in the community. While the engaged land developers applauded the ambitious goals of the community, and referred to Blatchford as a high standard in community development, the group indicated they are not interested in acting as the land developer for the neighbourhood if they are required to achieve Council's vision for Blatchford.

If City Council were to direct Administration to pursue the option of selling some or all of the remaining undeveloped land further, it would need to be done with the understanding that the

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

original vision may need to be adjusted, primarily with density, design standards and requirements for carbon neutrality.

Other considerations for selling off undeveloped land to the private land development industry would also need to be examined further, including:

- Loss of cohesive community design. For example, creating a walkable/bikeable community requires an integrated network of infrastructure to be built throughout the neighbourhood, including custom designed streets, a network of walkways and paths, supporting infrastructure like street furniture and pedestrian-friendly lighting, ensuring mixed-use amenities are appropriately located, etc. If the land is allocated to multiple developers, who individually design their sections of land, it will be challenging to maintain the cohesiveness of the overall community design that contributes to sustainable and people-first community design.
- Impact to existing home builders and residents. The current home builders and residents have invested in Blatchford with the understanding the City of Edmonton is committed to achieving high standards for environmental outcomes and will be placing a priority on the public realm, green spaces and people-centred design principles.
- Loss of ability to control other identified City of Edmonton goals planned for the development, including the provision of 16 per cent affordable housing.
- Impact to other City of Edmonton projects (e.g., Metro LRT expansion). There is a significant amount of collaboration taking place to achieve common goals between various City projects in the area. A private land developer may not agree to the additional time and work required for this collaboration.
- The need for a fair and equitable process to allocate land to private land developers that would still allow competition while not flooding the housing market.
- Ongoing removal of airport infrastructure (hangars, runways) and remediation of undeveloped land (remediation is completed in stages as the community is developed).
- Ongoing lease and tenant commitments.
- Loss of sunk costs. All land developments require significant up front costs. The City of Edmonton has already invested in a number of one-time upfront costs (remediation, expropriation costs, off-site servicing) in anticipation of future revenue. These costs may not be fully recovered through undeveloped land sales unless private developers agreed to pay for a portion of these costs. If private developers are not willing to pay, then this could lead to a tax levy requirement in order to fund the shortfall.
- Compromising the vision would result in reputational impacts as the City would lose the opportunity to remain leaders in sustainable community development.

While the current affordability of the homes has been identified as a concern, similar to the Blatchford office, private land developers are not likely to mandate that their home builders sell private housing at lower price points than market conditions allow. Home builders in both circumstances determine what they sell their homes for based on market conditions, location (central vs suburban pricing), housing size and other market factors.

City of Edmonton remains the land developer and makes ongoing refinements and continuous improvements

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

Blatchford is a transformational approach to community building and implementation comes with the need for innovation and creating a new 'playbook' for community design. It is also an opportunity for ongoing learning and improvement. Administration is committed to continuously refining processes and requirements to advance development on the site as fast as reasonably possible while maintaining a positive financial outcome and Council's vision.

- Opportunity 1: There were several 'firsts' in the community, including implementing unique design elements and constructing a brand new renewable energy utility. As many of these items were pioneering, they required additional planning and engineering work as well as lengthier approval times compared to what is seen in a typical new neighbourhood in Edmonton. Now that the Blatchford office has demonstrated 'proof-of-concept' for the unique design, additional stages are able to be brought to market in significantly less time.
- Opportunity 2: Bring large sections of land to market for large home builders. While Administration will continue to sell land to the current home builder group, there is an opportunity to bring larger home builders to the community. In order for these companies to do business in Blatchford, they require a commitment for a critical mass of land.
- Opportunity 3: Establish a cross-departmental internal team committed to advancing the project as fast as possible. Similar to any private land developer, the Blatchford office requires the approval and involvement of several City of Edmonton departments. Given the significant amount of innovation required to build Blatchford, a cross-department team assigned to advancing Blatchford's applications and approvals as fast as possible could advance the pace of development.
- Opportunity 4: Allocate additional resources and identify system/process improvements. In order to bring on significantly more stages across the entire site faster, additional staff resources would be required. Administration is also continuously identifying overall system and process improvements to streamline the land development process.

As part of a responsible development plan, before options to speed up development are implemented, additional market research would need to be completed to ensure the market conditions exist to absorb the product.

City building is about long-term decisions; the vision City Council set for this land is exciting and ambitious. Administration is following a development approach that prioritizes long-term investments in density, design and resilience over short-term profit. Given the current plans in place, Blatchford will achieve Council's vision to develop a complete community that will be a great neighbourhood for families, a catalyst for transformational land development and a path towards a more sustainable future.

Legal Implications

City Council has the authority to pass bylaws relating to public utilities, land use and services provided by the City. City Council has passed the Blatchford Renewable Energy Utility Bylaw to provide for the district energy utility as well as amendments to the Edmonton Zoning Bylaw to provide for land use. City Council does not have authority to impose requirements through a bylaw for development that are also the subject of the building and energy codes adopted under the *Safety Codes Act* (Alberta).

PROGRESS LAND DEVELOPMENT AT BLATCHFORD

Therefore, in order to advance Council's vision of sustainability and people-first community design, the City has relied on its natural person powers as owner of the lands to require builders to design and construct buildings and associated infrastructure in accordance with Council's vision where that design and construction requires a standard that is in excess of certain building and energy codes.

COMMUNITY INSIGHT

Since the Blatchford redevelopment started in 2008, Administration has engaged in extensive discussions, public consultations, and expert analysis to inform the development of the community. For the purpose of this report, Administration engaged in conversations with the Urban Development Institute and several large Edmonton area private land developers.

GBA+

By nature of its vision, Blatchford is intended to be a complete community that is inclusive and welcoming to all people. The various community design elements are intended to work together to ensure people of all ages, abilities and backgrounds are safe and welcome in the neighbourhood. As the project progresses, there is an opportunity to do a more in-depth GBA+ to help influence future planning.

Selling portions of the community to private developers could compromise the equity objectives the City has for this development.

ATTACHMENTS

1. Business Case Goals
2. Approved Blatchford 2014 Business Case
3. Blatchford Redevelopment Financial Results - 2014-2021
4. Net Present Value Analysis
5. Land Development Timelines
6. Land Development Process
7. Development Map