

## CITY ACQUIRED PROPERTIES

### RECOMMENDATION

That the October 13, 2023, Financial and Corporate Services report FCS01880, be received for information.

<b>Requested Council Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Urban Places</b>		
<b>City Plan Values</b>	LIVE		
<b>City Plan Big City Move(s)</b>	A community of communities	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>Operating Budget Amendment 12</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>UPE01472, Neighbourhood Entrance Signs on Private Property, Urban Planning Committee, June 1, 2023</li> <li>IIS01349, Rationalizing and Rightsizing Municipal Assets, Executive Committee, October 12, 2022</li> <li>2011SCP016, Lots owned by Terwillegar Towne Residents' Association, Executive Committee, June 29, 2011</li> </ul>		

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### **Previous Council/Committee Action**

At the April 17, 2023, City Council Meeting, the following motion passed:

That Administration provide a report outlining the following information:

1. a current inventory, status, and history of agreements between the City of Edmonton and Homeowners Associations (HOA) in Edmonton relating to the City acquiring properties from a homeowners association, and
2. a summary of the process and cost/benefit analysis for the City to acquire the property(s) from the River Point Homeowners Association.

### **Executive Summary**

- To the best of Administration's knowledge, the City of Edmonton only acquired property from a homeowners association once, through specific direction from Council in 2011.
- Acquisition requires Council approved funding for the land, as well as ongoing maintenance and capital renewal.
- The River Point Homeowners Association (HOA) was created by the developer to provide amenities to the community and make their development more attractive to potential buyers.
- The River Point HOA has approached the City to acquire the land and assets owned by the HOA due to concerns of increasing repair and maintenance costs.
- The annual operating costs of the River Point HOA infrastructure, if acquired by the City, is estimated at \$180,000, while the capital costs are estimated at \$2.5 million over the next 25 years.
- The acquisition of the River Point HOA assets would increase the City's inventory without the associated funding to maintain, renew and dispose of the assets, which would increase the capital renewal infrastructure gap and be contradictory to prudent asset and financial management practices.

## **REPORT**

### **Homeowners Associations**

Homeowners Associations (HOAs) are created by developers to make their communities more attractive to prospective home buyers. Once a community is fully developed and the majority of properties are sold, the responsibility for the developed amenities is transferred to an HOA. HOAs are typically non-profit organizations responsible for collecting fees from property owners and maintaining the amenities.

### **History of Past Agreements and Current Inventory**

At the June 29, 2011, Executive Committee meeting, report 2011SCP016, Lots Owned by Terwillegar Towne Residents' Association, was brought forward in response to a Councillor Inquiry asking that the City acquire 13 lots that were mainly used as passive open space. Executive Committee directed Administration to acquire the lots as the Residents' Association did not generate a benefit from ownership of the lots: the majority of the collected fees were going towards property taxes and maintenance of the lots. The City acquired 11 of the 13 lots for \$1.

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The lots continue to be used as passive open space. The lots not acquired consisted of a developed playground and the former Toole Sand Pit that is used as a recreational area; both lots are still owned and maintained by the Residents' Association. The current estimated yearly maintenance cost is \$31,000, including maintenance of trees, shrubs and turf.

Administration has not identified other instances where land was acquired from an HOA.

### **River Point Homeowners Association - Background**

River Point is a privately owned community in Kernohan adjacent to the North Saskatchewan River Valley, containing 159 single family homes built between 1992 and 1997. All homeowners in River Point are members of the River Point HOA and are responsible to pay the current monthly fee of \$50, and abide by rules and regulations as outlined in the HOA Guide. Within the River Point community, the HOA owns all roads and associated infrastructure – all of which are for private use only by residents of River Point. The HOA is responsible for all maintenance and operations of the roads, park space, and associated infrastructure, including the maintenance of power boxes and street lights, pruning of trees and bushes, and snow removal. Members have asked that the City acquire the roads, park space, and other associated infrastructure within River Point and take over the responsibilities of the HOA.

A review of audited financial statements from 2019 to 2023 provided by the HOA confirms that the HOA has successfully collected all homeowner fees, maintenance of a capital reserve fund, and payment of maintenance and management fees. As of the February 2023 audit, the operating fund had \$33,628 and the reserve fund contained \$389,721. The HOA communicated that the roadways have deteriorated and that the HOA will not be able to afford the cost of repair or replacement. Quotes received by the HOA estimate a cost of \$50,000 to repair the roads and up to \$1.2 million to replace them.

### **Assessment and Taxation**

As per provincial legislation, all properties are assessed at their market value and taxed accordingly. Private lands owned by homeowners associations are also taxable unless exempt under specific provisions of the *Municipal Government Act*. Open spaces and community spaces can be made tax exempt if the HOA is a non-profit organization and can demonstrate that properties are being used for charitable and benevolent purposes for the benefit of the general public. Generally speaking, this requires the spaces to be open to the public (not just local residents) and not charge fees for their use.

When the City of Edmonton takes possession of HOA properties, the properties become property tax exempt. This, however, is subject to any subsequent lease, license or permit the City offers on these lands. If, for example, a City-owned property is leased to a private entity, that entity becomes the assessed person and is once again taxable for that space unless they can demonstrate an exempt use or purpose.

### **Acquisition Process and Considerations**

To acquire land, Administration must first obtain budget approval from Council by creating a Capital Profile with an appropriate scope and an identified funding source. Through

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conversations with the River Point HOA, the assets that they are seeking to dispose of consist of park space at the community's entry, privately titled roadways and alleys, and all associated infrastructure. If the City acquired the roads, Administration would be required to hire a surveying consultant to create a road plan and register the plan at the Land Titles Office. The park space is currently zoned Planned Lot Residential (RPL), which allows small lot single detached housing. Administration would bring an application forward to rezone the park space to Public Parks Zoning (AP) and maintain it as a park space.

Some HOA assets, such as street lighting, are on privately titled land. Administration would also be required to enter into Utility Right of Way agreements with every homeowner with HOA infrastructure within their property to gain access for maintenance. The current market value of the land that is requested to be inherited by the City is estimated to be between \$2 to \$3 million. The acquisition of the River Point HOA assets would increase the City's inventory without the associated funding to maintain, renew and dispose of the assets, which would increase the capital renewal infrastructure gap and be contradictory to prudent asset and financial management practices. A site map of the area the River Point HOA is proposing for the City to acquire is included in Attachment 1.

On June 23, 2023, members of Administration visited the River Point community to take an inventory and assess the state and condition of the HOA assets, and to determine the potential cost to the City. The result of the visual inspection confirmed that the City would be required to maintain and improve asphalt roadways, complete landscaping and snow removal, and install new signage, street lighting and associated roadway improvements. In addition, the City would be responsible for all future capital renewal and replacement of the inherited infrastructure, including the maintenance of roads, curbs and gutters, sidewalks, street lights, trails, signs, fencing and horticulture. Attachment 2 lists the quantity and current condition of the proposed infrastructure to be inherited. Further investigation would need to be undertaken to determine how the capital reserve and operating funds would be dealt with if the City was asked to acquire these assets. Administration would expect to receive the fund if asked to acquire and maintain the assets.

Administration does not see a benefit to the City of Edmonton acquiring the private HOA assets and infrastructure and taking on the maintenance and renewal responsibilities. River Point property owners may see a benefit, as their HOA would be dissolved, HOA fees would no longer be required, and the acquired assets would be the financial responsibility of the City.

## **Budget/Financial Implications**

If Executive Committee directs Administration to acquire the River Point HOA assets, a budget increase would be required to upgrade and maintain the HOA roads and common areas. The assets would require an ongoing estimated operating budget of approximately \$180,000 per annum, or \$4.5 million over 25 years. Additionally, these new assets will require approximately \$2.5 million in capital investment over the next 25 years to address asset renewal. This value reflects 2023 rates and assumes only the cost to renew the assets as they exist without considering enhancements or functional improvements.

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The Capital Investment Outlook 2023-2032 identified a capital funding gap of approximately \$6.7 billion over the next 10 years. This gap in available funding has significant implications for the City's renewal program, limiting renewal investments only to the most critical assets. New assets added to the City's inventory do not come with additional funding. As such, it increases the burden on the already challenged renewal program to keep pace with the deterioration of the inventory of assets.

The assets being considered for acquisition would fall under two renewal programs: Open Space Renewal and Neighbourhood Renewal. The Open Space Renewal Program is funded to 24 per cent of ideal requirements, representing a funding gap of over \$300 million in 2023-2026. This trend in funding availability is not anticipated to change significantly in future budget cycles. The Neighbourhood Renewal Program is fully funded; however, the funding formula for neighbourhood assets did not include assets within this neighbourhood and could impact the delivery of renewal investment in other neighbourhoods that have been cued for renewal for many years.

With the limited budget available for renewal investment, additional burden is placed on Administration and the operating budget to maintain these assets, ensuring they are safe and operational until a renewal investment can be made.

## **Community Insight**

The River Point HOA approached Council to investigate the possibility of acquiring their private roads and taking on the responsibility to maintain them. Administration has had numerous discussions with the HOA to listen and understand their perspective and reasons behind the request. Formal public engagement was not undertaken. If Administration is directed to acquire the River Point HOA assets, it may set a precedent for other HOA's within the City of Edmonton to request the City also acquire other HOA assets.

## **GBA+**

Access to the open space is limited to River Point homeowners. Properties within HOAs are typically more expensive to purchase due to the increased amenities. Though acquiring the property of the HOA would open the park amenities to any user, given their location and layout, it would be highly unlikely that residents outside the Kernohan neighbourhood would use the space often. Acquiring the lands would not result in an asset broadly benefitting Edmontonians, but would shift the tax and maintenance burden to all taxpayers. The space in question is mostly enclosed and has homes backing onto it from all sides, which could continue to give the impression the park is for private use.

## **Attachments**

1. Site Map
2. Capital and Operating 25 Year Outlook and Asset Summary