

BLATCHFORD BUSINESS CASE GOALS

RECOMMENDATION

That the October 13, 2023, Integrated Infrastructure Services report IIS01544, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	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"> • The City Plan • Edmonton Community 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, 2013 • IIS01335, Progress Land Development at Blatchford, Executive Committee, October 12, 2022 		

BLATCHFORD BUSINESS CASE GOALS

Previous Council/Committee Action

At the October 12, 2022, Executive Committee meeting the following motion passed:

That Administration provide a report to Committee including the following:

1. Review the Blatchford Business case goals in regards to social sustainability goals.
2. Explore approaches to address market affordability.
3. Undertake a comprehensive housing market review to include market demand by built form, unit size and other major variables (ex: garage, yard, school proximity, etc.).

Executive Summary

- Blatchford is a bold and transformational land development project. Based on Council's original vision, Administration is following a development approach that prioritizes long-term investments in density, design, city building and climate resilience over short-term profit.
- Blatchford contributes to multiple City building goals. It supports and advances the strategic direction of The City Plan. The development also serves as a model of sustainable community design, supporting the goals outlined in the City of Edmonton's Energy Transition Strategy and Action Plan.
- It is crucial to regularly assess how Blatchford's social sustainability goal is being implemented in the community to ensure the neighbourhood remains a leading example of sustainable community design and is aligned with the changing needs of Edmontonians. To achieve this, Administration will conduct a best practice review prior to developing new stages, will continue to work internally with the City's affordable housing and homelessness team and will develop a community events/activation strategy as the neighbourhood grows.
- Administration retained an external third-party appraiser to undertake a comprehensive housing market review using market data and industry feedback to analyze current absorption rates (rate of sale during a given time period), lot pricing (land sale pricing) and home prices.
- The appraiser noted that Blatchford is a development area guided by public policy, proceeding under specific government-imposed guidelines designed for societal benefit. Given these guidelines, the appraiser noted that it is not surprising that the development progress has not proceeded at the same pace as a strictly market-driven land development. However, when considering Blatchford's imposed guidelines and unique aspects, the pace of development and pricing are considered reasonable, with market acceptance improving.
- While the third-party-appraiser determined that home prices were in line with the current market value, Administration evaluated several approaches that may support homebuilders in lowering the price of their homes.

REPORT

Blatchford Business Case Goals Review: Social Sustainability Goals

The 2014 Blatchford Business Case outlined a path forward for Administration to achieve the desired environmental, financial and social sustainability goals for this unique, city-building

BLATCHFORD BUSINESS CASE GOALS

community. The business case's definition of social sustainability considered health and well-being, livability and community spirit with direction for implementation of this goal including:

- Providing an abundance of park and open spaces, natural habitats, walkways and bikeways for use in all seasons.
- Ensuring transit is readily accessible.
- Keeping daily life close to home by ensuring work, education, and amenities such as shopping and healthcare will be close and convenient.
- Creating public spaces such as agriculture plots to bring people together and create a strong sense of community.
- Including various housing types and forms, including affordable and family housing.
- Designing spaces to create a safe, "eyes on the street" community where people feel comfortable and secure walking in their own neighbourhood.
- Using emerging winter cities design principles to create a community for all seasons.

All of the above noted design elements are being integrated into the community design.

When reviewing one aspect of the business plan goals, it is important to note that designing for sustainability requires a comprehensive approach where the built environment, including buildings, transportation networks and public spaces, all work together to achieve multiple outcomes. It is crucial to regularly assess how Blatchford's social sustainability goal is being implemented in the community. This will ensure the community remains a leading example of sustainable community design and is aligned with the changing needs of Edmontonians.

An analysis of Administration's current planning framework related to social sustainability goals identified the following items for future planning.

- *Best Practice Review*
 - Conducting a best practice review prior to planning new stages of development would help ensure the community remains a leader in sustainable and inclusive community design. As part of this review, Administration and an external planning and engineering consultant would review current leading practices related to environmental sustainability, social sustainability, accessibility and GBA+ design. The project team will need to consider the impacts of adding additional non-City standard design items to the community, including impacts to the site engineering and construction work, the project's proforma (cash flow projection), ongoing operation and maintenance agreements as well as the development timelines.
- *Affordable Housing*
 - Administration is committed to the goal of dedicating a minimum of 16 per cent of housing units in all neighbourhoods to be affordable housing (City goal). This includes the Blatchford community. To ensure planning and implementation of these sites are a priority, Administration developed an affordable housing strategy for Blatchford. To date, two sites have been allocated for affordable housing with additional sites to be identified in future build-out.

BLATCHFORD BUSINESS CASE GOALS

- One site, as previously directed by Council in June 2021, is at the planning stage for a multi-unit residential and mixed-use development focused on supporting newcomers and refugees and includes a community health centre.
- *Events and community activation strategy*
 - As Blatchford grows and more of the public realm is developed, a community events and activation strategy will be developed to support community spirit.

Housing Market Review

Administration retained a third-party appraiser to undertake a comprehensive housing market review using market data and interviews with Blatchford homebuilders, other homebuilders outside of Blatchford, other land developers and Administration to analyze current absorption rates, lot pricing (land sale pricing) and home prices. Summarized findings and Administration's response to the information is below, and the full report included as Attachment 1.

For the purpose of this exercise, the appraiser compared the Blatchford community to existing development(s) in Edmonton. However, the appraiser notes that it is critical to consider that Blatchford is a highly unique community because of a number of factors, including the size of the site, its location and that it is a government policy driven development plan that includes a sustainability vision, the district energy sharing system, high architectural standards and a high density requirements with no detached (single-family) homes. For reference, Blatchford's density goals target between 125 and 190 units per hectare compared to a typical greenfield development which target densities of 30 to 40 units per hectare. The Edmonton Metropolitan Region Board target is 45 units per hectare.

Given these guidelines, the appraiser concluded that it is expected the development progress not proceed at the same pace as a market driven land development. However, when considering Blatchford's imposed guidelines and unique aspects, the pace of development and pricing are considered reasonable, with market acceptance improving.

Pace of Development

Land sales: The third party appraiser found that the absorption rate for the sale of land to homebuilders for both the single-unit lots (townhouses) was slow but reasonable and that the sale of multi-unit lots (apartments and townhouses) was reasonable.

The report identifies that no multi-unit lots intended for apartments (four to six storey buildings) have been sold. However, the report also states that in greenfield areas of the city, the first multi-unit site sales can take a number of years to occur as they tend to take place once amenities are established in the area. The appraiser notes that there is due diligence being completed by multiple builders regarding potential four to six storey projects in Blatchford with advanced negotiations underway.

The report indicates the current pace of development could be impacted by a number of potential factors, including soft condo market conditions, the current lack of amenities within the community including LRT connection, the community's location including surrounding employment opportunities, uncertainty working with a district energy sharing system and the building type restrictions in place (no single-unit homes).

BLATCHFORD BUSINESS CASE GOALS

Home sales: The third-party appraiser found that the overall pace of home sales is reasonable with 85.6 per cent of homes constructed being sold and many builders reporting high levels of presales. The report noted that due to Blatchford specific requirements, construction timelines are slightly longer (12-18 months) in Blatchford whereas similar products elsewhere would be 12 months or less. There is high demand from investors for the current product type and a high demand for suited units, with 67 per cent of units having at least one secondary (basement or garage) suite.

Pricing

Land Sales

The third-party appraiser found that the current lot pricing in Blatchford (average at \$43/sf for single unit lots and \$30/sf to \$48/sf for multi-unit lots) is considered appropriate for all lot types as it is consistent with surrounding or similar neighbourhoods.

Home Sales

The third-party appraiser found that the current home pricing for the product built to date (builder averages of \$555,243 to \$681,208 per unit or \$373/sf to \$430/sf) is appropriate as evidenced by the high proportion of homes sold (83 per cent). The current pricing is higher than the most immediate surrounding neighbourhoods. However, the Blatchford home pricing is comparable to other neighbourhoods located in north central Edmonton where a similar housing product exists.

The price point for the multi-suited units is attracting investors who can rent out the primary unit and the secondary suites. The appraiser found that more variety of home products at a lower price level is required to entice more owner occupied purchasers.

The appraiser confirmed substantial interest in Blatchford for both single-unit and multi-unit lots from two prominent Edmonton homebuilders with plans to construct smaller and lower-priced homes.

Administration's Response

- Administration is seeing significant interest from existing and new homebuilders interested in purchasing land in the community. Administration is now pre-selling land in stages that are yet to be serviced, including negotiating a deal for 66 townhouses in stage six of the community.
- Administration sells land for the appraised market value. Any land sold below market value must be advertised and requires City Council approval, which would delay development timelines and impact the project's proforma. The third-party appraisal has determined the current land values are appropriate; however, Administration is investigating opportunities that may support builders in constructing lower-priced homes.
- Administration relies on the homebuilder's expertise to design and price their homes based on current market conditions. Homebuilders have sold approximately half of the fee-simple townhouses to investors who rent out the primary unit and secondary suites and half of the homes have been sold to owner occupied purchasers. As the community grows and additional product types come to market, there will be lower priced homes available in the community as

BLATCHFORD BUSINESS CASE GOALS

well as a mix of investor rentals, owner occupied homes and purpose built rental buildings in the area.

- Administration recognizes that the district energy sharing system is new to most homebuilders; however, using this technology is essential for meeting Council's vision for the community. Blatchford Renewable Energy has detailed design guides available for homebuilders and continues to assist homebuilder partners through the process.
- Administration acknowledges that the requirements, timelines, process and standards are different in Blatchford than in a typical new neighbourhood. However, if the project was to follow standard land development processes and decisions, the pace of development may increase, but the community would become a 'status quo' development that does not achieve Council's vision.
- Administration is already addressing, or will address, all of the final recommendations by the third party appraiser. Additional information on their recommendations and Administration's actions is provided below.

Market Affordability

For Blatchford to be accessible to all Edmontonians, it is important to reduce inequalities for potential residents through a number of mechanisms, including ensuring access to transportation options, healthy food, high quality public spaces, recreational opportunities and market affordable housing and rentals. While Administration is able to control several of these outcomes through intentional community design, market affordability is largely determined by external factors, including the overall housing market and a homebuilder's private business decisions.

While the third-party appraiser determined that the current lot pricing and pricing for homes built to date is appropriate, Administration has analyzed various approaches that could be examined further to lower the price of the homes below current market value. A summary of the approaches can be found below with additional information and rationale for the recommendations found in Attachment 2.

Approach	Overview	Outcome
1. Lower land sale price	Administration sells the land to homebuilders below market value.	Administration does not plan to pursue this approach
2. Tax deferral	Administration defers property tax payments for homebuilders and/or homebuyers.	Administration does not plan to pursue this approach
3. Lot sizing, single storey townhomes and single-family product	Administration explores the opportunity to develop smaller single unit townhouse lots, allows single storey townhomes and/or allows single family homes (zero lot lines or otherwise)	Administration plans to pursue this approach
4. Blatchford Renewable Energy utility rate reduction and grant program	Council implements utility rate changes and/or provides one-time construction grants.	Administration does not plan to pursue this approach

BLATCHFORD BUSINESS CASE GOALS

5. Homebuilder or Homeowner Education Grant Funding	Administration allocates resources to provide homebuilders with information on current government grant programs that promote affordability and sustainability in the housing market.	Administration does not plan to pursue this approach
6. Package More Land Together	Administration could sell multiple parcels of land to a homebuilder as part of one sale agreement.	Administration plans to pursue this approach
7. Review Blatchford specific development criteria and processes	Administration will conduct a thorough review of our Blatchford specific zoning, architectural codes, green building codes and district energy design guidelines.	Administration plans to pursue this approach

Next Steps

Social Sustainability

Administration will continue to advance the options in this report, including a best practice review for new stages of development to determine leading social sustainability practices.

City Council set the vision for this community with city-building, social sustainability and environmental leadership goals in mind while still maintaining a positive financial outcome for the City. As part of the best practice review, Administration will need to consider the implications to the proforma that may result from adding additional leading design elements to the community. It is important to note that additional customization of community infrastructure to support the integration of leading design practices could result in longer development timelines due to the additional design work and approvals required when non-standard City infrastructure is built.

Market Affordability

While the third-party appraisal report indicates the pace of development is reasonable and the land and home sale prices are appropriate, Administration recommends the following approaches to support homebuilders selling lower-priced homes in the community without artificially lowering home prices below current market value.

- Investigate the opportunity for single-family dwellings, single storey townhomes and smaller single-unit townhouse lots (supports appraiser’s final recommendation).
- Review the community’s architectural and urban design guidelines as a way to potentially lower the cost of the construction while still ensuring high-quality design standards (supports appraiser’s final recommendation).
- Continue to educate about the District Energy Sharing System and the exemption opportunity. The utility will continue to meet frequently with existing homebuilders to address questions and concerns (supports appraiser’s final recommendation).
- Investigate bringing large sections of land to market for large homebuilders. There is an opportunity to bring larger homebuilders to the community, but for these companies to do business in Blatchford, they require a commitment for a critical mass of land.

BLATCHFORD BUSINESS CASE GOALS

In addition to the items noted above, the final recommendations in the appraiser's report also included the following:

- Recommendation: Improve entrance (better intersections off Kingsway Avenue) and signage to Blatchford.

Administration's response:

- The current entrance to the community is located at the Kingsway and Airport Road intersections. Administration (Transportation Infrastructure Delivery) recently completed an upgrade to the north access point.
 - As the community develops, a number of additional, high visibility entrances will be built off of Kingsway, Princess Elizabeth and 121 Street.
 - Additional directional signage on the Blatchford land was recently installed along Kingsway. However, Administration is not permitted to install entrance signage on the adjacent City-owned property located outside of the development due to City of Edmonton traffic bylaw restrictions in the area. Additional signage will be installed on the Blatchford site as the community builds additional entrances.
- Recommendation: Expedite construction of amenities within the community including linkage to LRT.

Administration's response:

- Administration is encouraging homebuilders interested in certain multi-unit parcels in the first stages of the community to construct mixed-use buildings to ensure local retail is included in the early stages of the development. This land has yet to be sold; however, several parcels are under negotiation.
- Additional public amenity space (parks, bike lanes, plazas, etc.) will be constructed alongside future stages of development, as is standard in the land development industry.
- A connection from the current development on the west side of the site to the future Blatchford Market LRT station is planned for this year.

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's vision. As Blatchford has moved from the planning stage to a new neighbourhood, Administration has established open lines of communication with homebuilders and residents to understand the community's evolving needs.

GBA+

Blatchford's holistic vision for community development prioritizes inclusivity and diversity by taking into account the needs of all Edmontonians, including walkability, transit accessibility, affordable housing, newcomer health supports, and open space design with the overarching goal of ensuring safety and wellbeing for everyone. By integrating GBA+ principles into community planning, Blatchford aims to create a welcoming environment that accommodates people of all

BLATCHFORD BUSINESS CASE GOALS

ages, abilities and backgrounds. By specifically addressing housing affordability, especially for newcomers, along with necessary support services, Blatchford will foster a sense of belonging and overall community wellbeing.

ENVIRONMENT AND CLIMATE REVIEW

This report was reviewed for environment and climate risks. The environmental risks and opportunities summarized below were identified using City-developed environment and climate screening criteria. With respect to Blatchford:

- This ongoing development is a leading example of bold transformative city building efforts that supports Edmontonians' transition to a low-carbon future.
- This community combines sustainable urban design principles with energy efficient design and innovative technology to achieve carbon-neutrality and use of 100 per cent renewable energy.

ATTACHMENTS

1. Consulting Study - Blatchford Area
2. Market Affordability Options