

### Market Affordability Options

#### Approach 1: Lower land sale price

Overview of approach:

Administration receives land appraisal values through the City's Real Estate Valuation and Advisory Services. The appraisal services team provides a market value range that Administration uses to list and sell the land to homebuilders. The homebuilders then determine the cost of the homes they sell. Under this approach the City would sell the land to homebuilders below market value.

Impacts/Considerations:

- Impact to proforma. Lowering the cost of land would decrease the revenue and increase the timeframe required to pay off the debt incurred from developing the Blatchford community.
- Lowering the land sales price would potentially put the land outside of market value and the requirements of section 70, 231(9), 606 of the *Municipal Government Act* and the City Administration Bylaw 16620 would need to be complied with. These legislative requirements would mean the City would need to advertise each land sale agreement to a homebuilder and each land sale agreement would require Committee or Council approval. While lowering the land sales price would lower the builders land cost, it is unlikely that these cost savings would flow through or be passed on to the end buyer / user of the property and would only add to the builder's profit margin or result in the homes being flipped shortly after transfer from the homebuilder. While input costs (building+land) play a role in market value, they are only one of many factors that lead to final market value.
- In order to ensure that the final home sales price reflects the lowered land sales price, additional mechanisms would be required to ensure the final sales prices to the end buyer / user of the property reflected the lower land price as sold to the builder. Under Section 651.3 of the City Charter the City could consider entering into an affordable housing agreement with the homebuilder which would obligate the homebuilder and any future owner of the property to provide the residential units as affordable housing. These agreements lead to reduced marketability of the land resulting in the City generally selling encumbered land for a nominal amount (\$1.00) to incentivise affordable housing development. Requesting builders to enter into an affordable housing agreement will limit their interest and limit the number of reputable builders willing to develop in Blatchford.

## Attachment 2

- Below market land sales may have the unintended result of lowering the market value for citizens who have already bought and are living in Blatchford. This may lead to financial hardship for those property owners now owing more on their property than it can be sold for on the open market.
- Looking to incentivise development with a number of below market land sales accompanied with the set home prices could lead to a concentration of non-market housing in one area instead of non-market housing being spread throughout the city and integrated in all neighbourhoods.
- Selling lots below market value will result in additional development delays since administration would need to bring future reports forward seeking below market value approval from City Council. This process would need to follow section 70, 231(9) and 606 of the *Municipal Government Act* for both the advertising and petition period.
- The current demand for the townhomes land (single unit attached homes) product is high with a waiting list of builders for when those sites become available. The multi-unit lands are gaining momentum with two sites under agreement to two different builders. Administration is also in conversations with several other builders regarding the remaining multi-unit parcels currently available in the community. As these multi-unit developments progress, more affordable building styles and rentals will become available in Blatchford. This suggests that the current land sale price reflects the market, is reasonable and should not be lowered.
- Administration will not pursue this approach given the number of unintended consequences that could result from selling land below fair market value.

### **Approach 2: Tax deferral**

Overview of approach:

Currently, the Blatchford community follows the same property tax system used throughout the City of Edmonton. As the land transfers ownership from the City of Edmonton to the homebuilder, the homebuilder begins to pay property tax. Once the homebuilders transfer ownership of the units to home buyers, the home buyers start to pay property tax. Administration could investigate deferring property tax payments to lower the homebuilders costs while constructing the units. A deferral could also be investigated for the subsequent owners.

### Impacts/Considerations:

- Theoretically, a deferral may be considered for either the developer or the subsequent property owner. However, tax deferrals can only be granted after a tax has been placed on an account, meaning the developer or next owner would not have a guarantee that this deferral would take place each year, leading to uncertainty. The deferral would need to be approved by Council within a specific time-frame, after the passage of tax bylaw in late April and before the tax deadline in late June. Given the annual nature of such an approach, a sales contract could not guarantee this type of deferral.
- If Council considers tax deferrals before the subdivision process, City Administration would need to allocate the deferred tax amount to the individual parcels once subdivided. Tracking unique deferral accounts will also require manual effort. Both of these things can be done, but does require additional internal resourcing. While it is an expectation that prospective buyers (through their legal representation) pull a tax balance prior to purchase, the City of Edmonton would have no way to guarantee that or require developers or subsequent owners to disclose the deferred tax.
- Deferring taxes for homebuilders or subsequent home buyers in one neighbourhood in the City of Edmonton could create fairness and reputational issues.
- Generally speaking, Administration would caution against the use of a tax deferral in this way. Property tax deferral is a limited tool based on current powers within the *Municipal Government Act*. Council's tax deferral authority has never been used in this way. Further legal implications may need to be considered if Administration was directed to pursue this approach..

### **Approach 3: Lot sizing, single storey townhomes and single family product**

#### Overview of approach:

Lot sizes influence the end cost of housing. Administration is investigating reducing the size of the single-unit (fee-simple townhouse) lots sold to homebuilders. This would result in lower per lot land sale prices and allow builders to construct smaller single-unit townhomes, potentially resulting in a lower home sale price for homebuyers. Administration is also investigating the opportunity to allow single storey townhomes, which in addition to providing a lower priced product would support increased accessibility (social sustainability goal).

In addition to smaller single-unit townhouses lots, Administration can consider the impacts of allowing single family homes (zero lot lines or otherwise) in the community.

Impacts/Considerations:

- Any engineering challenges need to be addressed due to creating smaller lots, including ensuring adequate space for the required servicing to each lot (power, water, sewer, district energy, etc.). The smaller lot sizes may also impact the public infrastructure such as road street furniture (street lights, telecommunication pedestals, fire hydrants) and landscaping.
- Allowing smaller lots, and thereby, smaller townhomes may impact the overall community design, including road layouts and usable space.
- The current Blatchford zoning provides a minimum site width and depth. In order to reduce the lot widths, Administration would be required to update the Blatchford zoning for City Council's approval.
- The current Blatchford zoning provides a minimum site height. In order to allow single storey townhomes, Administration would be required to update the Blatchford zoning for City Council's approval.
- Administration has been investigating these options as part of ongoing discussions with current and potential homebuilders in the community. Early discussions have determined that this is potentially a viable way to optimize land use and reduce development costs without compromising the quality of housing or the community's density goals.

### **Approach 4: Blatchford Renewable Energy utility rate reduction and grant program**

Overview of approach:

Blatchford Renewable Energy, the city-owned utility providing sustainable heating and cooling energy services, could investigate implementing utility rate reductions to reduce the ongoing operational costs for home buyers/condo corporations in the community. The utility could also investigate providing one-time grants to multi-unit builders to offset some of the increased costs associated with connecting to the district energy sharing system.

Impacts/Considerations:

- Currently, utility rates are set by principles outlined in the utility's fiscal policy and have been intentionally set by City Council using a business-as-usual (BAU) principle. As presented last November, during the 2023 rate filing process, Blatchford Renewable Energy rates were forecasted to be already

under BAU scenarios, which means Blatchford residents were projected to be paying less for their services than someone in a home outside of the community. This gap is a financial impact to the utility which is still carrying a significant funding gap.

- Blatchford Renewable Energy understands that a connection to the neighbourhood district energy sharing system represents a new way of utility connection for many builders interested in Blatchford. Building a new utility connection might increase construction costs, at least initially, as builders become more familiar with the design, construction and operation.
- Blatchford Renewable Energy will continue to educate builders and discuss any challenges they are facing. Multi-unit buildings require additional design and installation of Energy Transfer Stations infrastructure, which transfers the energy from the main district energy sharing system to the buildings. The utility's operational and financial models have the builder paying for the construction of the energy transfer stations as a contributed asset to the utility which then takes over the ongoing operation, maintenance and replacement of the equipment. The utility could investigate potentially providing a grant to reduce these one-time costs for builders. This would provide an incentive for more builder interest and a better understanding of actual costs, given the newness of district energy systems using energy transfer station infrastructure delivery in Edmonton. However, providing this grant from the utility budget would immediately negatively impact the utility's financial health.
- Given the direction to ensure a financially viable utility, providing reduced utility rates or a grant is not recommended at this time. A review of the Blatchford Renewable Energy fiscal policy is expected to be presented to Council in Q1/Q2 of 2024. Annual budget adjustments and rate filings for 2024 are expected to be presented at Utility Committee on November 3, 2023.

### **Approach 5: Homebuilder Education Grant Funding**

Overview of approach:

The City of Edmonton, provincial government, federal government and industry associations offer grant programs that support sustainability and affordability in the housing market. Administration could allocate resources to provide homebuilders with information on current government grant programs that promote affordability and sustainability in the housing market.

### Impacts/Considerations:

- Actively monitoring and maintaining a database of grants for homebuilders would require a reallocation of team resources to support this work. While Administration could notify builders of the various opportunities, the homebuilders would need to manage the application process and may or may not be successful in their applications.
- Similar to other approaches mentioned, Administration would not have a mechanism to ensure that any cost savings from a grant program would be passed on to the home buyers.
- Administration does not recommend this approach given the internal resourcing that would be required and the lack of control over the end results.

### **Approach 6: Package More Land Together**

#### Overview of approach:

Administration could sell multiple parcels of land to a homebuilder as part of one sale agreement. This land could either be sold fully serviced or as raw land that the builder would be responsible for servicing. Selling unserviced land would be focused on homebuilder companies that have land development experience.

#### Impacts/Considerations:

- Development timelines. Selling large sections of serviced land to one buyer could result in slower community development timelines as the buyer would only construct and sell a portion of the overall land at one time. Consideration would also need to be given to understand the implications for the smaller builders currently building in Blatchford as this approach would limit the number of builders that could realistically operate in the community (housing supply is set by market demand). However, setting aside larger sections of serviced land as part of an overall development approach could have advantages for the land development office, including bringing larger homebuilders to the community and streamlining processes.
- Selling large parcels of unserviced land to a homebuilder/development company could result in a loss of a cohesive community design that could impact the ability for the project to achieve Council's vision. Other impacts that would need to be considered with this approach include impacts to existing homebuilders, loss of ability to reach affordable housing targets,

impacts to other City projects in the community (e.g. LRT) and loss of sunk development costs.

- Administration is currently entertaining an opportunity to sell multiple serviced parcels or raw land to a larger Edmonton builder/developer and will continue to engage with homebuilders on the opportunity to purchase multiple parcels of land or raw land as part of one sale agreement.

### **Approach 7:** Review Blatchford specific criteria and processes

Overview of approach:

Administration regularly reviews internal processes and Blatchford specific documentation based on builder feedback and learnings as the project advances. However, the team could conduct a thorough review of Blatchford specific processes and requirements, including zoning, architectural codes, green building codes and district energy design guidelines, to determine if additional efficiencies can be found that may result in reducing homebuilders costs and timing while still maintaining Council's vision.

Impacts/Considerations:

- An in depth review of all documentation may require additional resourcing, including both internal and external resources. Careful evaluation will be required to understand the social, environmental or financial impact of any potential changes.
- Adjusting requirements will result in a new learning curve for current homebuilders who understand and work within the existing criteria.