

## Disposition of Land to homeEd

### Recommendation:

1. That Executive Committee recommend to City Council:

That the sale of land to homeEd, as described in Attachment 1 of the September 13, 2016, Sustainable Development report CR\_3815, be approved, with homeEd paying 50 percent of the fair market value of the land with the remaining 50 percent of the value of the land be transferred from the Affordable Housing Reserve to the Funds-In-Lieu Reserve at the time of disposition of the land, and that the sale agreements be in form and content acceptable to the City Manager.

2. That the recommendation in Part 1 above be referred to Administration to:

- a. Continue with its public engagement processes, as set out in Attachment 9 of the September 13, 2016, Sustainable Development report CR\_3815
- b. Negotiate the terms of a Memorandum of Understanding with homeEd for the eight sites
- c. Negotiate the terms of sales agreements with homeEd for the first two sites (as determined during the public engagement process)
- d. Advertise as required under section 70 of the *Municipal Government Act*.

And return to Committee in the First Quarter of 2017 with a recommendation on Part 1 after the advertising period described in Part 2 is complete.

*Clerk's note: Part 1 may be moved and put on the floor, but not put to a vote. Part 2 may be put to a vote, after Part 1 has been moved.*

### Report Summary

This report proposes the disposition of up to eight City owned building sites to homeEd for the purpose of constructing a mix of new market and affordable (non-market) medium-density housing on each building site. The report recommends sale of these surplus lands to homeEd, with 50 percent of market value being funded by homeEd and the balance of land costs being funded from the Affordable Housing Reserve (Cornerstones). A memorandum of understanding is being prepared which will frame the transition of all eight sites to homeEd; an accompanying conditional sales agreement will action development of the first two sites.

### Report

### Background

## Disposition of Land to homeEd

In 1987, City Council approved Policy C437 (The Lease or Sale of City-Owned Land for Social Housing Development) which directs Administration to make available City-Owned land for social housing development for 50 percent of its market value. In 1994, City Council approved Policy C468A (Policy to Govern the Use of Funds from the Sale of Surplus School Sites) which directs Administration regarding the use of sale proceeds generated from surplus school sites.

In 2009, local School Boards declared 20 vacant school building sites surplus to their needs. Following an administrative review of these surplus lands, three sites were retained for civic program needs and seventeen were declared surplus to City needs. In 2012, Council approved land use changes supporting new seniors housing development on eight of the seventeen surplus building sites.

In 2015, City Council approved policy C583 (see Attachment 3 - Guidelines for Development of the 2009 Surplus School Sites), directing Administration to develop seventeen surplus school building sites as a mix of affordable and market housing. The policy applies to the eight building sites approved for seniors housing in 2012, as well as the remaining nine surplus building sites.

### **homeEd Proposal to Develop Sites**

On May 12, 2016, the City's Non-Profit Housing Corporation (homeEd) received shareholder direction to approach the City of Edmonton to discuss potential opportunities for the transfer of City land to homeEd (see attachment 10). On July 28, 2016 the City received a proposal from homeEd to acquire and develop up to eight of these remaining building sites for the purpose of constructing housing developments containing a mix of new market and affordable (non-market) medium-density housing (see Attachment 2). These developments may also include small scale retail or commercial development ancillary to the residential development for the benefit of the larger community.

The homeEd request is consistent with the City's Policy C583, the City's (2017-2021) *Affordable Housing Investment Plan* (see Attachment 4), and homeEd's strategic priority to explore innovative opportunities to develop new affordable housing as defined in their 2017-2020 Business Plan (see Attachment 5).

homeEd has engaged a development consultant and an architect to assist with the planning, design and development of the sites, and will bring forward a business case to their shareholder in support of acquiring these eight sites.

Development of each surplus building site would include community engagement processes specific to each site, and would require final Council approval of necessary land use and statutory plan changes in support of each site development proposal. Disposition of remaining surplus land will follow based on the future development phasing proposed in Attachment 8. This proposed phasing will be reviewed annually and revised as required.

### Process Steps

The following process steps will incrementally commit the City and homeEd to partner in the development all eight sites over the next several years. This process allows for the staged implementation of these sites based on timely Council reviews/approvals and the capacity of Administration and homeEd to effectively deliver.

1. Approval of CR\_3815 Direction to sell Sites to homeEd
2. Continue with the Public Engagement Process
3. Advertise as required under section 70 *Municipal Government Act*
4. Return to City Council in 2016 following the Advertising Period with a memorandum of understanding and a conditional sales agreement for the first two sites
5. Completion of the required applications for changes to land use, removal of reserve designation and statutory plan amendments for the first two sites
6. Construction of the first two sites
7. Return to City Council to approve conditional agreements to develop the remaining six sites.

A staged approach will allow for further process refinements as these sites are incrementally developed over the next several years.

### Budget/Financial Implications

The final built form for each building site will be informed by the community engagement process and approved changes to land use. The value of the land for each building site will be established at the time of disposition, based on a number of factors, including:

- the development density
- the built form (such as townhouse or low rise apartment)
- and the size of the surplus building site.

The following three options for property transfer were considered. Net sale proceeds from these options will be placed in the Funds-In-Lieu Reserve, consistent with Policy C468A.

- Option 1:** homeEd and the Affordable Housing Reserve each pay 50 percent of market value (recommended option)
- Option 2:** homeEd pays 50 percent of market value
- Option 3:** Sale of land at nominal value

### **Option 1: homeEd and Affordable Housing Reserve each pay 50 percent of market value**

Full market value estimates for the eight building sites shown in Attachment 1 range from \$15.8 million to \$20.6 million. The net sale proceeds would be placed in the Funds-In-Lieu Reserve to be applied to the delivery of the parks program. Administration will seek Council direction on the use of these funds through future capital budget deliberations.

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Because paying full market value for the sites would significantly constrain homeEd's ability to produce affordable housing, under this option, the City's Affordable Housing Reserve would pay the remaining 50 percent of the value of the land, amounting to \$7.9 to \$10.3 million for the eight sites. Paying full market value for the land would impact the affordability of non-market homes developed on each surplus school site because homeEd would need net proceeds (profit) from the market units to pay for land rather than subsidize the development costs of the non-market units.

Based on the homeEd's estimate of project milestones (see Attachment 8) and Administration's estimates of market value, between \$2 and \$2.6 million will need to be transferred annually from the Affordable Housing Reserve from 2017 to 2020. These transfers will consume between 80 and 100 percent of the City's base annual funding for affordable housing, significantly impacting the City's ability to fund the affordable housing initiatives contained in the City's *(2017-2021) Affordable Housing Investment Plan* (see Attachment 4).

Currently, the Affordable Housing Reserve receives \$2.5 million in base City funding annually, and has received funding of \$3.5 million from the City's year end surplus when available. Council's commitment to provide this surplus funding, when available, ends in 2017. Administration is bringing an unfunded service package for affordable housing in the amount of \$3.5 million annually (beginning in 2018) for Council's consideration as part of the fall Supplementary Operating Budget Adjustment.

Requiring that homeEd pay full market value for the sites would make their plan unfeasible, as the land costs could not be borne by a mixed-market housing project and still accomplish their affordability objectives. It would also prevent the City from achieving the desired outcomes of Policy C583 and increase the supply of affordable housing, due to:

- the unpredictability of the local housing market
- pressure to maximize the amount of market housing in order to generate the greatest amount of revenue to pay for the purchase of City land
- the depletion of the Affordable Housing Reserve.

### **Option 2: homeEd pays 50 percent of market value**

Current Council policy C437 supports the disposition of City land to non-profit housing groups at 50 percent of market value, requiring public advertisement prior to Council approval.

The estimated value of sale proceeds at 50 percent of market value (less book costs) range from \$7.9 to \$10.30 million. These net sale proceeds would be placed in the Funds-In-Lieu Reserve to be applied to the delivery of the parks program.

Sale at 50 percent of market value would reduce funds available for parks and open space by \$7.9 to \$10.3 million. This option does not include a transfer of funds from the Affordable Housing Reserve to the Funds-In-Lieu Reserve.

### **Option 3: Sale at nominal value**

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homeEd has requested sale at nominal value. This would create a cost to the City of \$651,846, which is the combined book value of the eight sites. From an affordable housing perspective, this option maximizes the number of new affordable homes on each site and best achieves the intent of Policy C583, with up to 75 percent of new homes being affordable. However, from a revenue generating perspective, this option represents \$15.8 to \$20.6 million lost funding opportunity to be applied to the parks program. On February 2, 2016, Administration brought forward an information report (CR\_3272 - Park Space Funding Requirements) to Executive Committee outlining a forecasted deficit of \$445 million to deliver park acquisition and development throughout the City, which was based on approved Statutory Plans.

### Policy

- Policy C437 - The Lease or Sale of City-Owned Land for Social Housing Development
- Policy C468A - Policy to Govern the Use of Funds from the Sale of Surplus School Sites
- Policy C583 Guidelines for Development of the 2009 Surplus School Sites

### Corporate Outcomes

This report contributes to the corporate outcomes “Edmonton is attractive and compact”, and “Edmonton has sustainable and accessible infrastructure” as developing surplus school building sites in existing neighbourhoods contributes to infill targets and reduce new infrastructure spending.

### Risk Assessment

See Attachment 6.

### Public Consultation

In 2014, Administration worked with community residents and the Office of Public Engagement to develop a new public engagement process to be tested on pilot sites and later implemented on the remaining building sites. This new process exceeds public engagement requirements included in the current Public Engagement Policy - C513. In 2015, Administration began to pilot the new public engagement process in the Keheewin and Ogilvie Ridge communities (see Attachment 9).

City staff are currently engaging residents of the Keheewin and Ogilvie Ridge neighborhoods with regards to the appropriate built form of new housing to be developed on the pilot sites. It is anticipated that these engagement processes will be complete in the first quarter of 2017 and that requests for necessary land use changes will then be submitted to Council.

An evaluation of the pilot engagement process is underway and will be completed following the final community engagement meeting in the process. Evaluation results will be used to inform public engagement activities on the remaining surplus building

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sites. It is anticipated that the City will continue to manage the four step public engagement process that occurs prior to each rezoning application being submitted, and that homeEd will lead the process in steps 3 and 4.

### Legal Implications

Some City lands being disposed of have a reserve designation and prior to disposition requires Council approval to remove the reserve designation from only the building portion of the surplus sites. Sale proceeds would be used consistent with legislative requirements and City policy C468. Sale at less than market value requires advertising under the provisions of section 70 of the *Municipal Government Act*. Therefore Recommendation #1 cannot be passed until the expiry of the advertising period.

### Metrics, Targets and Outcomes

See Attachment 7

#### Justification of Recommendation:

1. homeEd has the capacity to both develop and operate the market and affordable choices envisioned under Policy C583. Transfer of land to homeEd at 50 percent of market value is consistent with Policy C437. Paying the remaining 50 percent of market value from the Affordable Housing Reserve will eliminate the loss of future funding opportunities to the Funds-In-Lieu Reserve. This requires Council approval as it is a budget adjustment.
2. The steps outlined in Part 2 must be completed prior to the sale outlined in Part 1.

### Attachments

1. List of eight surplus building sites estimated sale proceeds
2. [homeEd letter of request](#)
3. City Policy 583 *Guidelines for Development of the 2009 Surplus School Sites*
4. City of Edmonton *Affordable Housing Investment Plan (2017-2021)*
5. homeEd 2017-2020 Business Plan
6. Risk assessment
7. Metrics, Targets and Outcomes
8. Estimated dates for project milestone commencement
9. New Public Engagement Process
10. Maps of eight surplus building sites

### Others Reviewing this Report

- T. Burge, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- R. Smyth, Deputy City Manager, Citizen Services
- C. Campbell, Deputy City Manager, Communications and Engagement