COUNCIL REPORT

Edmonton

SURPLUS SCHOOL SITES - SALE OR LEASE OF LAND BELOW MARKET VALUE AND GRANT FUNDING PROGRAM

RECOMMENDATION

- 1. That the sale or lease of land in Caernarvon (Plan 1323788, Block 12, Lot 1), at below market value, as outlined in Attachment 1 of the January 22, 2025, Financial and Corporate Services report FCS002729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 2. That the sale or lease of land in Dunluce (A portion of Plan 2122664, Block 56, Lot 69), at below market value, as outlined in Attachment 2 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 3. That the sale or lease of land in Blue Quill (A portion of Plan 8222093, Block 19, Lots 8 & 9), at below market value, as outlined in Attachment 3 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 4. That the sale or lease of land in Kiniski Gardens (Plan 1224459, Block A), at below market value, as outlined in Attachment 4 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 5. That the sale or lease of land in Belmont (Plan 1423421, Block 5, Lot 30MR), at below market value, as outlined in Attachment 5 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 6. That the sale or lease of land in Miller (Plan 1622836, Block 2, Lot 1), at below market value, as outlined in Attachment 6 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 7. That the sale or lease of land in Overlanders (Plan 8821052, Block 37, Lot 12), at below market value, as outlined in Attachment 7 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 8. That the sale or lease of land in La Perle, (Plan 1623604, Block 53, Lot 75MR), at below market value, as outlined in Attachment 8 of the January 22, 2025, Financial and

- Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 9. That the sale or lease of land in Lymburn (A portion of Plan 8321754, Block 42, Lot 60), at below market value, as outlined in Attachment 9 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 10. That the sale or lease of land in Summerlea (A portion of Plan 7922534; Block 22; Lot 4MR and a portion of Plan 8622024; Block 29, Lot 9MR), at below market value, as outlined in Attachment 10 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 11. That the sale or lease of land in Wedgewood Heights (A portion of Plan 8822434, Block 44, Lot 10MR), at below market value, as outlined in Attachment 11 of the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.
- 12. That grant funding affordable housing agreements between the City of Edmonton and selected applicants, for an amount not to exceed \$99 million cumulatively from the Housing Accelerator Fund, outlined in Attachment 12 of the January 22, 2025, Financial and Corporate Services report FCS02729 be approved, and that the agreements be in the form and content acceptable to the City Manager.
- 13. That agreements for any easements, utility right of ways or other interests in land that are required to develop the surplus school sites, at below market value, as outlined in the January 22, 2025, Financial and Corporate Services report FCS02729, be approved, and that the agreement(s) be in form and content acceptable to the City Manager.

Requested Council Action		Decision required	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work as we achieve our strategic goals.		Urban Places	
City Plan Values	LIVE		
City Plan Big City Move(s)	Inclusive and compassionate	Relationship to Council's Strategic Priorities	Nobody is in core housing need Community Safety and Well Being
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	Including but not limited to: City Administration Bylaw 16620 Policy C627 - Climate Resilience Policy Policy C593A - Public Engagement Policy Policy C437A - City Land Assets for Non-Profit Affordable Housing		

	 Policy C583A - Guidelines for Developing Surplus School Sites Policy C468A - Policy to Govern the Use of Funds from the Sale of Surplus School Sites City Plan Policy 2.2.2.1- Streamline the provision of affordable housing in all neighbourhoods through continual regulatory and procedural review and improvement. 2023-2026 Updated Affordable Housing Strategy
Related Council Discussions	 October 21, 2024 Financial and Corporate Services report, FCS02653, La Perle Surplus School Site Municipal Reserve Removal October 21, 2024 Financial and Corporate Services report, FCS02654, Belmont Surplus School Site Municipal Reserve Removal October 21, 2024, Financial and Corporate Services report FCS02655, Summerlea Surplus School Site Municipal Reserve Removal October 21, 2024, Financial and Corporate Services report FCS02656, Wedgewood Heights Surplus School Site Municipal Reserve Removal October 21, 2024 City Council Public Hearing, Urban Planning and Economy reports: Charter Bylaw 20955 - LDA 24-0148 - Rezoning Lymburn Charter Bylaw 20953 - LDA 24-0149 - Rezoning Dunluce Charter Bylaw 20954 - LDA 24-0150 - Rezoning Belmont Charter Bylaw 20954 - LDA 24-0151 - Rezoning Blue Quill Charter Bylaw 20957 - LDA 24-0151 - Rezoning Summerlea Charter Bylaw 20956 - LDA 24-0249 - Rezoning Wedgewood Heights December 12, 2023, Community Services report CS01758, Policy Direction for Developing Surplus School Sites Development June 2, 2023, Community Services reportCS01900, Housing Accelerator Fund: Application and Investment Plan July 7, 2015 report CR2360_rev, Policy Direction for 2009 Surplus School Sites Development

Executive Summary

- Administration is seeking approval for below market sale or lease of 11 City-owned surplus school sites located in established neighbourhoods across Edmonton to expedite the development of affordable housing units across the City as the sale price or lease rate will be outside Administration's delegated authority.
- Administration is seeking approval for affordable housing agreements and grants above the \$1 million limit prescribed in Bylaw 16620 for the 11 sites with a total cumulative amount not to exceed \$99 million in accordance with the terms and conditions outlined in Attachment 12, the Surplus School Site Program Guide, Policy C583A, and the Housing Accelerator Fund (HAF) commitments.
- This approval of this volume of below-market sales or leases is outside of Administration's normal process. They are being brought forward in this manner to expedite and provide flexibility for affordable housing development of these sites to meet funding requirements with the Housing Accelerator Fund Action Plan.
- As some of the sites may be sold or leased to for profit entities for less than market value, under the *Municipal Government Act* (MGA), the City must advertise the proposed

below-market sale or lease of City land and subsequently have them approved following a 60 day petition period. The proposed land sites were advertised per the MGA, and the petition period closed on January 15, 2025. If the City does not receive sufficient petitions during the petition period, the proposed sales or leases can be approved.

- The 11 sites have been offered on the open market using the process established by Council Policy C437A City Land Assets for Non-Profit Affordable Housing and per the MGA for selling and or leasing land below market value.
- Lease terms may be up to 99 years which extends beyond Administration's delegated authority, which limits lease agreements to 25-year terms.

REPORT

In 2015, City Council approved the use of 14 surplus school sites for affordable housing. Administration is seeking approval for below market sale for 11 of the remaining sites, including Lymburn, Dunluce, Belmont, La Perle, Blue Quill, Caernarvon, Kiniski Gardens, Miller, Overlanders, Summerlea and Wedgewood Heights, for affordable housing. In October 2024, Administration confirmed with the School Boards that none of the 11 sites were in a location prioritized for future school development. Development of two of the additional sites is in progress and Administration is determining the optimal future use of one of the sites with the School Boards. The decision to approve the sites for affordable housing is guided by City Policy C583A - Guidelines for Developing Surplus School Sites and the City's aspirational target of 16 per cent affordable housing in every neighbourhood.

In 2021, to achieve the City's affordable housing target, City Council approved Council Policy C437A - City Land Assets for Non-Profit Affordable Housing. Policy C437A established a process to annually identify suitable City land assets for sale or lease at below market value to non-profit organizations and ensures a fair and transparent process for the disbursement of City land for affordable housing development. Although these surplus school sites will be available to for-profit organizations to bid on, the principles of Policy C437A are being followed in the listing and decision making process.

In 2022, during the 2023-2026 budget deliberations, Administration presented the Surplus School Site development as a critical component of the City's four-year Affordable Housing Investment Plan. The Plan calls for 2,700 new affordable housing units by 2026. The Surplus School Sites development is also another critical component in meeting the City's Housing Accelerator Fund (HAF) obligation of 1,940 new non-market affordable housing units, progress which stands at 28 per cent for affordable housing of the total as of today, January 22, 2025.

In 2023, Council approved the HAF Action Plan, in which the City committed to bringing the surplus school sites to a shovel-ready state with successful proponents obtaining building permits by the end of 2026. On October 21 and November 4, 2024, Council approved rezoning seven sites to accommodate residential development. In late November, these seven sites, as well as four that were rezoned for residential development in 2012, were listed for sale or lease. The listings are planned to close in Q1 2025, after which Administration will select proponents and begin formal negotiations on the sale or lease agreements.

Funds from HAF will be used to expedite the development of affordable housing on these sites by covering pre-development costs incurred by the City to bring the sites to a shovel-ready state. HAF funds will be distributed as construction grants and land servicing subsidies to the affordable housing developers selected through the land disposition process. The land servicing subsidy will fund up to 100 per cent of any required off-site infrastructure costs. The construction grant will fund the creation of affordable housing units on the surplus school sites. Based on a market feasibility analysis, these 11 sites could deliver up to 1,800 new housing units in established neighbourhoods with a target of 50 per cent (above the mandatory minimum of 30 per cent) of the units to be developed to be non-market affordable housing.

Land Disposition

As part of its HAF Action Plan, Administration has developed the Surplus School Site Program Guide¹, which directs the allocation of land and capital funding to enable the efficient development of new affordable housing units. The Surplus School Site Program is open to non-profit organizations, for-profit entities, and partnerships between non-profits and for-profit entities meeting the minimum requirements. Additional consideration will be given to proposals led by, or that include the participation of, Indigenous organizations (or their affiliates) with current memorandums of understanding or letters of intent to work collaboratively with the City of Edmonton. Applicants must demonstrate they can meet the project timelines prescribed by the HAF contract and ensure the units remain affordable for a minimum of 25 years.

To ensure these sites can be developed expeditiously, Administration is asking Council to approve either a below-market sale or a long term lease (up to 99 years) for the 11 sites, prior to disposition, as the sale amount or lease term may be outside of Administration's delegated authority. The intention is to provide flexibility to applicants and the City, on a site-by-site basis. Each option offers distinct benefits and risks, as outlined below.

Industry partners have expressed their opinion that selling these sites is likely the quickest and simplest way for successful proponents to secure additional funding and financing, as they would hold direct equity in the land. Through a sale of land, the City would not hold any interest or responsibility for buildings constructed on the sites. Therefore, the risk of derelict assets being returned to the City would be diminished. However, the City would be giving up long-term control over housing affordability on these sites; affordable housing agreements with successful proponents would be negotiated for a minimum term of 25 years, up to a maximum of 40 years, as per the MGA. In contrast, long-term land leases would provide ongoing control for the City to secure affordability while also being able to consider what to do with the land at the end of the term. Leasing comes with the risk that a tenant does not maintain their property as per the terms and the building asset becomes a liability or issue for the City to address.

Administration is considering offers to lease or purchase the sites and will consider each based on the criteria outlined in the Surplus School Sites Program Guide including, depth and length of affordability, energy efficiency, and return on investment to the City.

¹https://www.edmonton.ca/sites/default/files/public-files/SurplusSchoolSiteProgramGuide.pdf?cb=1733419 682

The proposed sale or lease terms for all 11 sites are included as Attachments 1 through 11.

Additional Easements, Utility Rights of Way and Other Interests in Land

To advance the surplus school sites for sale or lease and to accommodate development, the City may need to grant easements, utility rights of way or other interests in land to obtain subdivision or to protect infrastructure located on these sites or the adjacent City-owned land. To expedite the timelines, Administration is also seeking approval to enter into any of these agreements, applicable to the surplus school sites and adjacent City-owned land and have them registered on title prior to sale or lease, for below market value.

If Recommendation 13 is approved, the City would grant easements, utility rights of way or other interests in land for a surplus school site and/or any adjacent City-owned land for below market value in the following situations:

- If the agreement is required as a condition of subdivision;
- If the agreement is required to protect existing infrastructure on, in or under a surplus school site or adjacent City owned land before sale or lease of the surplus school site; or
- If the agreement is required to protect additional infrastructure constructed by the City on, in or under a surplus school site or the adjacent City owned land (where no other feasible service routing alternatives exist) before sale or lease of the surplus school site.

Affordable Housing Agreements Grant Funding

In addition to providing land for nominal value, the City will offer capital contributions in the form of an affordable housing construction grant and land servicing subsidy ("Affordable Housing Agreement").

To incentivize the development of affordable housing on these sites, the City will provide capital grants of:

- up to 25 per cent of the capital costs for the affordable housing units, inclusive of the value of the land;
- up to 40 per cent will be considered for projects that offer additional value for the City's investment, by providing greater affordability (i.e. 60 per cent or less of Average Monthly Rental Rates) and/or exceeding energy efficiency requirements.

Successful proponents will automatically be eligible for a land servicing subsidy to cover up to 100 per cent of offsite site infrastructure required by the City or external parties to service the proposed development. Eligible items could include required water and sewer upgrades, shared use paths, pedestrian crossings, and/or other requirements determined through the subdivision process. The subsidy does not include the costs of the physical building to be developed.

The City will consider affordable housing models, including, but not limited to:

- affordable near-market rental;
- mixed-income developments with an affordable housing component;
- rent-geared-to-income;
- deep subsidy; and

supportive housing.

A minimum of 30 per cent of total units in a project, or across a portfolio of proposed projects by a single applicant, must be secured as affordable to be eligible for the grant. The affordable units must be rented at or below the City's Maximum Allowable Rental Rates². This model is intended to attract competitive offers from all developers to maximize the outcomes from City and HAF contributions.

The general terms and conditions of the Affordable Housing Agreements are outlined in Attachment 12.

Rationale for Seeking Delegated Authority

As outlined in Attachment 4 of the Spring 2024 Supplemental Capital Budget Adjustment (Financial and Corporate Services report FCS02362), Administration proposes to allocate up to \$99 million of the City's \$175 million HAF allocation towards the development of the surplus school sites, including the previous costs of acquiring and maintaining the land, servicing and capital construction grants. The City's HAF allocation unlocked the potential of these long held surplus school sites by providing the funding required to offer shovel-ready land and construction grants to affordable housing developers. However, contractual obligations in the agreement between the City and the Canada Mortgage and Housing Corporation (CMHC) pose a potential barrier to receiving the funding: building permits for each of the surplus school sites must be obtained by November 2026 for the City to receive the final and critical disbursement of HAF funds. As 2025 is a municipal election year, Administration is bringing all the sites in a single report to avoid any potential delays that could impact its ability to access the HAF funds.

The City Administration Bylaw 16620 authorizes the City Manager to approve affordable housing agreements for grants below \$1 million. Agreements that exceed this amount require Executive Committee approval. Grants for each surplus school site are anticipated to exceed this \$1 million limit.

Administration is requesting Council approve up to 11 affordable housing agreements that will grant amounts above the \$1 million limit prescribed in Bylaw 16620 to the selected applicants on the terms and conditions outlined in Attachment 12, with a total cumulative amount not to exceed \$99 million. This authority will apply only to the funds received through HAF; Administration will not be allocating tax levy funds through this program.

Administration's ability to approve affordable housing agreements will make the development process more efficient for successful proponents. Certainty regarding the City's capital contributions will allow proponents to proceed with their design development and pursuit of additional funding from other orders of government. The Program builds on the success of Administration's Affordable Housing Investment Program (AHIP). Since 2019, AHIP has provided over \$100 million in funding for over 2,200 affordable housing units and attracted \$416 million in funding from other orders of government and other investments.

² https://www.edmonton.ca/sites/default/files/public-files/AffordableHousingGrant-AHIP-MARR.pdf

Next Steps

If the recommendations are approved:

- Administration will select a developer and housing provider for each site by Q2 2025 using the Surplus School Site Program Guide criteria.
- Once the non-profit housing providers and/or for-profit entities/developers are selected, Administration and the successful proponents for each site will enter into a Sale or Lease Agreement(s) in accordance with Attachments 1 - 11 and Affordable Housing Agreement(s) by Q3 2025 in accordance with the general terms and conditions outlined in Attachment 12.
- Administration will disperse funds to the selected housing providers in alignment with the funding agreements.
- Successful proponents of each site will be required to engage with the community and provide an opportunity for feedback on their proposed development before construction.

Budget/Financial Implications

The market value of these 11 sites is approximately \$26 million. If these sites are approved, City Council will have approved below market value land sales to non-profit housing providers with cumulative market values totalling \$68 million since 2015.

Portions of the sites held in land inventory would require up to approximately \$700,000 to cover the previous costs of acquiring the land, which will be funded through HAF in the year of sale.

Administration proposes to allocate up to \$99 million of the City's \$175 million HAF allocation towards the development of the surplus school sites, including the previous costs of acquiring the land and grants and subsidies to the housing providers/developers for servicing and capital construction. The ongoing operating expenses for the proposed developments will be the responsibility of the housing provider.

\$171 million out of the \$175 million is budgeted under capital profile CM-90-1000, with the remaining \$4 million included in the operating budget required to fund FTEs, consulting for technical studies, engagement and advertising and other operating costs related to the program. In order to achieve targets in an efficient manner, both capital and operating items are included in the profile. An annual assessment will be performed on the expenditures and administrative transfers will be processed to transfer items to operating as necessary.

Legal Implications

As per the MGAthe City must advertise proposed City land sales and leases below market value and have them approved following a petition period. The proposed land sales and leases were advertised in accordance with the MGA If the City does not receive sufficient petitions, which is 10 per cent of the population, during the petition period, proposed land sales or leases can be approved.

Sections 35 and 37 of Bylaw 16620 (City Administration Bylaw) enable the City Manager to approve agreements for the disposition of a fee simple or leasehold interest in land for fair

market value or more, up to certain monetary limits. Approval is sought as the sale agreements at issue relate to disposition of fee simple interests in land for below fair market value.

Briefly summarized, the practical legal differences between a sale and a lease are:

- A lease may be for a term longer than the 40 year limit for Affordable Housing Agreements.
- A lease means the City remains the registered owner of the subject land, which carries
 additional inherent risks (e.g., potential liability for registered liens, environmental
 contamination, occupier's liability, and occupational health and safety). The City's standard
 form will require the tenants to assume liability for these liabilities, but they increase
 administration costs and still become a direct liability for the City if the tenant becomes
 inoperative.
- Similarly, in a lease where the tenant becomes unable to maintain the developments after
 construction is complete, the City will be left with ownership of the development. The City
 may mitigate this risk by requiring the tenant to pay into a fund for the eventual removal or
 replacement of the development, or by providing an equivalent security. The appropriateness
 of such risk mitigation must be balanced against the additional costs this would place on the
 tenant.
- In the case that a lease is silent on the matter, then all fixtures (such as the proposed developments) become the property of the landlord on expiry or termination of the lease. If the City wishes to avoid the liability of developments the City should preserve a method to dispose of or manage the developments assuming the lease is not renewed. Apart from relying on the aforementioned option of a security to pay for the removal of the developments, the two most immediate options for such disposal would be to require the tenant to, at the City's request, either remove the developments or purchase the land at fair market value on termination of the lease.
- In the case the lease is terminated, the City would become landlord to any residential subleases still in effect. The City may require that such subleases include provisions for modification or early termination of the sublease if the headlease terminates or the City otherwise becomes the direct landlord of the subleases.

Section 38 of City Bylaw 16620 (City Administration Bylaw) enables the City Manager to approve agreements to dispose of other interests in land at fair market value or more. Approval is sought as the easements, utility right of ways, or other interests in land at issue relate to disposition of other interests in land for below fair market value.

Section 42.2 of City Bylaw 16620 (City Administration Bylaw) enables the City Manager to approve grant funding for affordable housing agreements valued under \$1 million. As applicants are being reviewed in accordance with the Surplus School Site Program Guide, Policy C583A, and HAF commitments, the Affordable Housing Agreement values will vary from site to site. As such, Administration requires Council approval for up to \$99 million from the HAF for Affordable Housing Agreements with selected applicants. For further clarity, all Affordable Housing Agreements will be in accordance with the general terms and conditions in Attachment 12, which incorporate legal risk mitigating requirements.

Community Insight

The City will update community stakeholders at each development milestone, such as the selection of developer(s), through mailed letters, the affordable housing developments webpage³, emails to Community Leagues and Homeowners Associations, and updates through a digital mailing list. Following the selection of a developer(s) and housing operator/provider(s), the City will support a developer-led engagement plan for each site.

Housing security is critical to a healthy city. Edmontonians informed the City through previous public engagement efforts that greater affordable housing supply in the city is needed for low and very low income households whose housing needs cannot be met by the market.

GBA+

Housing is a significant barrier for anyone who lacks personal references, employment or has limited resources, compelling them to stay in living arrangements that do not meet their needs for stable and secure housing. According to Statistic Canada, a household is considered to be in "core housing need" if its housing falls below at least one of the adequacy, affordability or suitability standards and it would have to spend 30 per cent or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards).

Housing insecurity and homelessness impacts people from all backgrounds in Edmonton. However, not all people face the same risk of being in core housing need. Edmonton's 2023 Housing Needs Assessment identified that several demographic groups are at the highest risk of homelessness and housing need, including seniors, Indigenous households, recent refugees, female lone-parent households, and people with physical and developmental disabilities.

The affordable housing built on these sites will align with the City of Edmonton's goal of building an inclusive city where everyone can enjoy safety, stability, and the opportunity to build a life. That begins with ensuring there are housing options to meet the needs of all Edmontonians in all neighbourhoods.

The approach outlined above to give greater consideration to submissions that offer greater accessibility options for tenants, deeper affordability, more affordable units and/or include the participation of Indigenous organizations helps this program address housing inequities for Edmonton's priority population groups.

Environment and Climate Review

This report was reviewed for environmental and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.

Attachments

1. Caernarvon (North) - Sale or Lease Agreement(s) Terms and Conditions

³ <u>http://edmonton.ca/HousingDevelopments</u>

- 2. Dunluce Sale or Lease Agreement(s) Terms and Conditions
- 3. Blue Quill Sale or Lease Agreement(s) Terms and Conditions
- 4. Kiniski Gardens North Sale or Lease Agreement(s) Terms and Conditions
- 5. Belmont Sale or Lease Agreement(s) Terms and Conditions
- 6. Miller Sale or Lease Agreement(s) Terms and Conditions
- 7. Overlanders Sale or Lease Agreement(s) Terms and Conditions
- 8. La Perle Sale or Lease Agreement(s) Terms and Conditions
- 9. Lymburn Sale or Lease Agreement(s) Terms and Conditions
- 10. Summerlea Sale or Lease Agreement(s) Terms and Conditions
- 11. Wedgewood Heights Sale or Lease Agreement(s) Terms and Conditions
- 12. Grant Funding Affordable Housing Agreement General Terms and Conditions