

# West Rossdale Development

## Financial Scenarios

### Recommendation:

1. That the River Crossing vision, outlined in Attachment 2 to the April 14, 2015, Sustainable Development report CR\_2103, be approved.
2. That Administration develop a business case to support the public investment required to achieve the River Crossing vision.

### Report Summary

This report outlines a process and provides information to support a City Council workshop session on West Rossdale redevelopment. In so doing, the report introduces the River Crossing vision (of which West Rossdale is a part), provides a description and status of the elements that comprise the vision, outlines financial scenarios involving the redevelopment of West Rossdale, and notes potential next steps for City Council to consider as direction to Administration.

### Previous Council/Committee Action

At the January 27, 2015, City Council meeting the following motion was passed:

That Administration work with the canal proponents and provide a report with financial scenarios regarding the proposed canal project along with the other proposed initiatives for the West Rossdale Redevelopment.

### Report

#### Background

Executive Committee referred the January 20, 2015, Sustainable Development report CR\_1521, and the January 20, 2015, Community Services report CR\_1523, to Administration to bring back for consideration at a future date. These two reports are attachments to this report.

On January 27, 2015, City Council moved to convene a workshop session on April 14, 2015, as an appropriate means to consider the many variables at play in the redevelopment of West Rossdale.

#### Overview

The potential for a number of capital development projects within and near West Rossdale to transform this area through their city building nature is truly impressive. While the collective positive impact of these projects is recognized, they have not been evenly advanced and the means by which some, including West Rossdale, can or should progress is not clear.

In part, the redevelopment of West Rossdale has lagged due to its scale and complexity. The scale of this project drives significant funding requirements and results in financing challenges.

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FUTURE MEETINGS.**

In turn, the complexity of this project is driven by a number of associated variables that influence potential trade-offs between the interests of stakeholders, the costs and financial performance of the project, and the relative city building value of the project.

To address the complexity of West Rosssdale and thereby advance it, City Council needs to review its associated variables and interdependencies, and agree to a number of next steps that both identify a path forward, and strike the right balance between the variables and City Council's city building objectives for this area.

### April 14, 2015, Workshop Agenda (see Attachment 1)

Administration has included information in this report and structured the April 14, 2015, workshop to allow Council to:

- consider a vision for the redevelopment of West Rosssdale and nearby area as a Transformational Project
- review the projects (and their status) that comprise this vision
- review the variables and issues associated with the projects that comprise the vision, including the information contained in January 20, 2015, Sustainable Development report CR\_1521, and January 20, 2015, Community Services report CR\_1523
- review several "hard truths and questions" concerning the redevelopment of West Rosssdale
- consider a number of West Rosssdale redevelopment scenarios that consider the "hard truths and questions", and present trade-offs between the variables and issues
- action next steps to develop a business case with recommendations on how to advance the redevelopment of West Rosssdale in coordination with other city building projects in the area
- understand how the interests of stakeholders would be represented through an advisory committee to support the business case development.

### The River Crossing Vision - Transformational Project (see Attachment 2)

A vision outlines the elements of a positive future outcome. A vision can generate passion and inspire people to accept or desire change and drive the critical thinking necessary to make the change and thereby attain the vision.

Reviewing a vision for the redevelopment of West Rosssdale and the nearby area as the basis for a Transformational Project assigns a priority to its delivery and a scale of public investment appropriate to a city-building outcome.

Corporate Leadership Team defines a Transformational Project as one that has the following characteristics:

- high political profile
- high strategic value and a clear connection to all six strategic goals
- significantly potential to change the experience of people who live, visit or invest in Edmonton
- requires a high level of internal coordination across many departments and branches

- will transition between the Project Stages in a relatively short time (approximately five years).

### Vision Elements, Variables, Issues and Interests (see Attachment 3)

The River Crossing vision / Transformational Project is comprised of a number of projects and influenced by a number of variables, issues, and stakeholders. Together these have been referred to as the “moving parts” that add complexity to implementing the overall vision.

The capital development projects / elements are:

- Core Projects (new Walterdale Bridge, Touch the Water Promenade, Mechanized Valley Access, Repurposed Rosedale Generating Station and Pump Houses, and West Rosedale redevelopment)
- Complementary Projects (Queen Elizabeth Park Master Plan, Kinsmen Sport Centre Master Plan, and Legislature Grounds redevelopment)
- Potential Project (Rosedale Canal).

The Vision elements are influenced by a number of variables, issues and interests; understanding how they influence outcomes is important in making choices that may result in trade-offs. They include:

- the West Rosedale Urban Design Plan and Direct Control Provision (add / reduce developable area, add density, adjust public realm standards)
- purchase/develop remaining private land holdings
- purchase/develop the Edmonton Public School Board site
- retain or remove Telus Field
- parking for Telus Field and river front attractions
- historic interpretation / cultural recognition
- stakeholders (Province, Rosedale Community, Aboriginal Community, Canal proponents, Friends of the Power Plant, Friends of Baseball, and others).

Attachment 3 sorts the above lists into:

- “Doing” (e.g. the new Walterdale Bridge)
- “Will Do” (e.g. Interpretative Historic Resources Plan)
- “Could Do” (e.g. Canal, redevelop Telus Field).

Following a review of the “doing” and “will do”, Administration proposes to focus Council’s attention on the “could do” variables insofar as they influence the financial performance and city building outcomes for the redevelopment of West Rosedale.

### Hard Truths and Questions

To encourage a Council discussion on the “could do” variables, Administration has identified several “hard truths and questions” related to these variables, including:

- Hard Truth - the redevelopment of West Rosedale as guided by the Urban Design Plan and regulated by the Direct Control Provision will not generate sufficient revenue to cover the public investment necessary for the neighbourhood or the city scale improvements.

- Hard Question – does City Council want to bias the financial performance of the redevelopment of West Rosssdale towards a city building outcome, or towards cost recovery of City investment?

This particular hard truth and hard question are addressed below. Administration will have additional hard truths and questions for Council to consider.

### West Rosssdale Redevelopment Scenarios (Attachment 4)

Although Council may agree on the River Crossing vision and that its delivery will be transformative and positive, Council needs to understand how it can be delivered. In particular, Council needs to understand how a number of variables can influence the financial performance of the West Rosssdale redevelopment.

The *West Rosssdale Urban Design Plan* identifies the lands to which a “development concept” is to be applied and accordingly guides the quality of the public realm and private development on those lands. An associated Direct Control Provision (DC1) implements the development concept as it applies to future residential, commercial and mixed-use development. Embedded in the Urban Design Plan is the concept that a high level of public investment will drive a high level of private investment and that together overall development will be appropriate to this important location. In a corresponding manner, a lower level of public investment will draw a reduced level of private interest and investment that will lower the overall quality of development. A “tipping point” exists on the continuum between higher and lower levels of public/private investment such that at certain lower levels of investment, the overall quality of development will not deliver a city building outcome.

Analysis by Administration confirms that the redevelopment of West Rosssdale as envisioned in the Urban Design Plan and regulated by the Direct Control Provision can neither generate a profit to the City, nor result in a breakeven scenario for two related primary reasons:

- The level of public investment above the “tipping point” is considerably more than the revenue generated by the sale of the City’s land holdings; and
- The overall amount of public investment is disproportionately large based on the inclusion of upgrades to city scale infrastructure (e.g., Rosssdale Road, 105 Street, and 97 Avenue, entryway park).

These points are elaborated in Administration’s response to Questions 1 and 2 in the April 14, 2015, Sustainable Development report CR\_1521rev.

Reducing the amount of public investment, increasing revenues, or a combination of both can decrease the current gap between costs and revenues. In making these adjustments risk exists that investment may be reduced below the “tipping point” for appropriate quality of development, and/or revenues may drive a built form (scale, height, massing, site coverage) that is inappropriate to the location and/or unacceptable to stakeholders.

Attachment 4 outlines several scenarios – each illustrating financial performance at the neighbourhood and city scale:

1. Base case – this scenario illustrates the financial performance of the approved Urban Design Plan and Direct Control Provision (DC1) and how it might be influenced by including Telus Field, excluding lands west of 105 Street, and purchasing/developing the remaining private lands in West Rosssdale. The scenario indicates that the Urban Design Plan and Direct Control Provision (DC1) perform fairly well at the neighbourhood scale, but not at the city scale.
2. Breakeven case – this scenario illustrates the amount of additional density required to offset public investment in the base case. Again the increases required to breakeven at the neighbourhood scale are quite modest, but very dramatic at the city scale, and would very likely result in a longer absorption period.
3. Canal case – this scenario illustrates the impact of the Canal project on the base case. This scenario demonstrates that the Canal has a negative impact on financial performance when compared to Scenario 1 (base case). The analysis to formulate this scenario is based on the information obtained from the Rosssdale Canal Group with some adjustments to the assumptions.

Together the scenarios begin to demonstrate a range of trade-offs between variables relative to enhancing the financial performance of the redevelopment of West Rosssdale. And while it is possible to obtain a small profit at the neighbourhood scale through increases in density and developable land, it is only possible to break even at the city scale through very aggressive increases in density, which may not be realistic, or perhaps desirable relative to the anticipated built forms (mass and height).

### The Need for a Business Case and Advisory Committee

The analysis for the above scenarios was conducted at a high level. Administration recommends that a business case be advanced to thoroughly articulate how a balance between public investment and city building outcomes can be achieved. The business case would consider the following:

- establishing a context and identifying the opportunity
- identifying the “problem” in addressing the context and pursuing the opportunity
- setting goals and objectives that align with Council’s strategic goals and advance toward realizing the opportunity
- identifying scenarios (including no investment) based on reasonable assumptions, that address the opportunity/problem
- testing the scenarios against the specified objectives
- assessing the risks for the scenarios
- establishing key performance indicators for forecasted benefits identified in the scenarios
- recommending a preferred scenario
- illustrating the method of financing the recommended scenario
- estimating cash flows and absorption rates under the recommended scenario
- recommending an implementation model (including assignment of roles and responsibilities - governance).

Attachment 5 outlines the proposed purpose, role, composition and operating timeline for an administrative advisory committee. Based on the range of interests and the potential scale and nature of change, Administration believes the perspective and input

of an administrative advisory committee is essential to advancing the business case and potential amendments to the Urban Design Plan and Direct Control Provision (DC1).

Working with external consultants and an advisory group, Administration estimates a business case would require between nine and 15 months to complete. Upon completing a business case, Administration would report to Council on a recommended development scenario inclusive of potential amendments to the Urban Design Plan and Direct Control Provision (DC1), and a potential implementation/governance model. Pending Council's direction, Administration could then undertake the amendments to the Urban Design Plan and Direct Control Provision (DC1) within 12 months and prepare a capital budget package for the 2019 – 2022 capital cycle to fund the necessary City investment.

Administration is currently working on the nature of a Municipal Development Corporation. Having Administration complete the above work would then put a Municipal Development Corporation in a better position to assume control of the West Rosssdale portfolio (should City Council so decide) and focus on readying West Rosssdale for servicing and eventual development.

### Next Steps

- Develop a terms of reference for the Advisory Committee including its membership, role and scope of work.
- Develop a terms of reference for a detailed business case for the redevelopment of West Rosssdale.

### **Policy**

*The Way We Grow*, Edmonton's Municipal Development Plan:

- Section 5.2.1.5: Undertake Urban Design Plans to guide the redevelopment of prominent sites, corridors, entrance ways, older commercial areas and character areas and integration of historic sites.

### **Corporate Outcomes**

This report contributes to the corporate outcomes “Edmonton is attractive and compact”, “Edmontonians are connected to the city in which they live, work and play” and “Edmontonians use facilities and services that promote healthy living” as it seeks direction from Council in how to advance the development of the West Rosssdale Urban Design Plan and the River Crossing Vision.

### **Public Consultation**

Extensive public consultation has occurred in the development of the West Rosssdale Urban Design Plan, including engagement with Aboriginal communities. Future amendments to the Urban Design Plan will require new consultation with the same groups and with additional interested parties.

### **Budget/Financial Implications**

As emphasized above, a significant public investment will be required to spur development in the area and to achieve the vision for the West Rosssdale and related

areas. These costs and the revenues associated with future land sales and property taxes in the area will be identified in a business case to be developed over the next year.

Administration estimates that the cost to develop the business case, including various consultants for support of individual pieces of work, content development, facilitation support, advisory committee support and extensive public consultation will be approximately \$600,000. This cost can be absorbed within Sustainable Development's 2015 Approved Budget. However, to do so will necessitate the Department to slow down or stop work on other area planning efforts to be able to divert resources to this work.

City Council's review of the business case in 2016 will inform the work plan, governance and budget needs for the redevelopment of West Rosedale going forward.

### **Justification of Recommendation**

1. To date, Council has not had a focused, comprehensive and integrated review of the components that comprise the future development intent and opportunities for West Rosedale and the surrounding area. Approval of the River Crossing vision as a Transformational Project gives direction on a scope of work (elements that comprise the vision), and assigns a level of priority and public investment to advancing this work. Implementation of the River Crossing vision is expected to be a Transformational Project similar in scale to other large projects in Edmonton that have a transformative nature, such as Blatchford, The Quarters, and the Capital City Downtown Plan.
2. A business case will inform how (time, quality, and budget) the River Crossing vision and its component elements - particularly the redevelopment of West Rosedale - could be achieved.

### **Attachments**

1. April 14, 2015, Workshop Agenda
2. River Crossing - Vision
3. Projects, Variables, Issues and Stakeholder (The Moving Parts)
4. Financial Performance Scenarios
5. Draft Advisory Committee Terms of Reference
6. West Rosedale Redevelopment – Update – Rosedale Generating Station – Commercial Activity Potential
7. Ballpark Update and State of Baseball in Edmonton

### **Others Reviewing this Report**

- L. Cochrane, General Manager, Community Services
- D. Wandzura, General Manager, Transportation Services
- T. Burge, Acting Chief Financial Officer and Treasurer