Blatchford Redevelopment Scenarios

In March 2010, City Council established the vision for the Blatchford project.

The business case presents the recommended scenario (5a) which achieves Council’s vision in a socially, environmentally, and financially positive manner.

Four other scenarios (5b to 5e) were prepared to answer specific questions from Council. These scenarios provide points of comparison to the recommended scenario and address Council’s March 26, 2014, motion for Administration to provide:

- more robust information about the positives, negatives, and risks of all five scenarios.
- information on the integrated infrastructure management planning analysis for the scenarios.

The following is a brief overview of each of the scenarios.

Scenario 5a - Blatchford Recommended Scenario (pages 3-6)

This scenario achieves Council’s vision. It includes all of the key design elements from the Perkins+Will concept plan and it optimizes investment in environmental and social sustainability features. This scenario is the basis of the “Blatchford Business Case” (Attachment 1 of the June 10, 2014, Sustainable Development report CR_1123rev.) This scenario results in a net profit of just under $45 million (net present value). The net profit can change depending on the addition or deletion of development features.

This scenario has the potential to include a carbon neutral, 100 percent renewable energy system. This scenario would incorporate high performance building requirements for all development.

Scenario 5b – 2012 Blatchford Concept Plan (Perkins+Will) (pages 7-10)

This scenario describes the outcome for the full implementation of the Concept Plan prepared by Perkins+Will. Without some level of modification, this scenario could result in a net loss of $280 million (net present value); however, the net level of investment or return can change depending on the addition or deletion of development features. This scenario has the potential to include a carbon neutral, 100 percent renewable energy system. This scenario would incorporate high performance building requirements for all development.

Scenario 5c - Blatchford Concept with Reduced Sustainability Features (pages 11-13)

This scenario describes the outcome of redeveloping the Blatchford site using the basic Perkins+Will concept, with limited additional investment in environmental or social infrastructure. This scenario results in a net profit of just under $100 million (net present value). Net return can be further adjusted based on the addition or deletion of development features.

This scenario has no potential to include a carbon neutral, 100 percent renewable energy system. This scenario would incorporate high performance building requirements for all development.

Scenario 5d - Suburban Development Concept (pages 14-16)

This scenario reflects the outcome if the Blatchford site was developed by the City as a conventional suburban neighbourhood.

This scenario does not include any land for NAIT expansion, a Town Centre, or any significant environmental or social infrastructure. This scenario results in a net profit of approximately $180 million (net present value).

This scenario has no potential to include a carbon neutral, 100 percent renewable energy system. This scenario would not incorporate high performance building requirements for all development.

Scenario 5e - 2009 Airport Infill Development Study (Pre-Vision) (pages 17-20)

This scenario was one of four alternate development options originally included in the June 15, 2009, City Council report which outlined options for the redevelopment of the City Centre Airport lands. Of the four options, this scenario most closely reflects the density and the development form in the Perkins+Will plan.

This scenario has no potential to include a carbon neutral, 100 percent renewable energy system. This scenario would not incorporate high performance building requirements for all development.

This scenario is being provided in answer to questions raised at the July 3, 2013, City Council meeting.

Blatchford Recommended Scenario — Scenario 5a

This scenario is presented as the recommended concept as it achieves the vision in a way that is financially positive.

Key Features
• Medium density residential, with high density in direct proximity to LRT station • Town Centre • Institutional lands (NAIT, school sites) • Major park (18.8%) • Urban agriculture • Low impact development • Irrigation system • Custom designed streets • District energy: ambient loop with geo-exchange (preferred: requires further evaluation) or gas-fired cogeneration (in proforma) • High performance building envelopes • Fibre optic network • Affordable housing • Education program

PROFORMA

Scenario 5a

Revenues	
Land sales and revenue from existing leaseholds	$ 578,331,000
Increase park space to 18.8%	$ (25,415,000)
Total Revenues	$ 552,916,000

Expenses	
Capital development	$ 277,485,000
Soft costs (office, admin, marketing)	$ 38,432,000
Public art, Master Plan	$ 6,547,000
Site costs (property interest acquisition, pre-construction)	$ 114,314,000
Develop the park (above “grade, level and seed” requirement)	$ 42,000,000
Development cost savings due to extra 3.8% park	$ (7,598,000)
Irrigation system	$ 9,268,000
Affordable housing placeholder	$ 10,000,000
Sustainability program	$ 2,500,000
District energy system: gas-fired cogeneration unit* (Net costs from HDR)	$15,068,000
Total Expenses	$ 508,016,000

Net Profit (Loss)	$ 44,900,000

Notes

- Cost estimates for capital development, some pre-construction site costs, developing the park, and irrigation were provided by Stantec. The remaining the costs were provided by the City or other consultants.
- Revenue projections were prepared by the City.
- *The district energy estimate is based on HDR’s financial analysis of a gas-fired cogeneration unit. As noted in the Blatchford Business Case (Attachment 1), the City is evaluating an ambient loop system with geo-exchange, which has the potential to better achieve Council’s energy goals. Initial analysis has shown that the costs of the ambient system are in the same order of magnitude as that of the cogeneration system.

Scenario 5a

POSITIVES, NEGATIVES, RISKS

Positives
• Supports infill policy • Provides family-oriented housing • Creates mixed-use and employment opportunities • Accommodates NAIT expansion • Provides destination park • Supports winter city design • Supports TOD policy • Optimizes investments into sustainability features • Provides positive financial return • Positions City as a leader in achieving sustainability – socially, environmentally and financially

Negatives
• Medium build-out timeframe (estimated 25 years)

Risks
• Slow down in low-medium density housing demand could extend build-out timeframe • Feasibility of ambient loop and geo-exchange district energy system requires further analysis

Summary
Achieves Council's declared vision.
Triple bottom line sustainability: • Social: High • Environmental: High • Financial: Medium

2012 Blatchford Concept Plan (Perkins+Will) Scenario 5b

This scenario is presented if all aspects of the Perkins+Will concept were implemented.

Key Features
• Medium-high density residential • Town Centre • Institutional lands (NAIT, school sites) • Major park (27.8%) • Urban agriculture • Low impact development • Irrigation system • Custom designed streets • District energy: biomass and deep geothermal • High performance building envelopes • Fibre optic network • Affordable housing • Education program • Onsite wastewater treatment plant and wastewater reuse system • Pneumatic waste collection

Scenario 5b

PROFORMA

Revenues	
Land sales* and revenue from existing leaseholds [1 & 3]	$ 715,409,000
Increase park space to 27.8% of site [2]	$ (85,607,000)
Total Revenues	$ 629,801,000

Expenses	
Capital development [2]	$ 346,170,000
Soft costs (office, admin, marketing) [3]	$ 38,432,000
Public Art, Master Plan [3]	$ 6,547,000
Site costs (property interest acquisition, pre-construction) [3]	$ 114,314,000
Develop the park (above “grade, level and seed” requirement) [2]	$ 62,106,000
Development cost savings due to extra 12.8% park [2]	$ (25,593,000)
Irrigation system [1]	$ 21,000,000
Affordable housing placeholder [3]	$ 10,000,000
Sustainability program [3]	$ 2,500,000
District energy system: biomass and deep geothermal** (Net costs) [1 & 3]	$157,068,000
Recreation lake*** [2]	$ 20,653,000
Pneumatic waste system (for entire site) [3]	$ 91,000,000
Sustainability monitoring [2]	$ 5,631,000
Concrete stairs along east side of stormwater lakes [2]	$ 36,739,000
District-wide waste water reuse system [1]	$ 25,000,000
Total Expenses	$ 911,567,000

Net Profit (Loss)	$ (281,766,000)

Scenario 5b

Notes

1. These cost / revenue estimates were provided by the Perkins+Will consultant team.

2. These cost estimates were calculated by Stantec for the City.

3. These cost / revenue estimates were calculated by the City.

- * The Land Sales within the revenues were provided by Perkins+Will and were reviewed by Colliers International who advised “Even considering the added value of master-planned developments, the values notes are on the order of 80%-100% above the land values that one would expect in today's market – a premium that we feel is unjustified at this time.”

- ** The district energy capital cost was provided by Perkins+Will and then adjusted by the City for revenues. (Used same revenues that HDR applied for the “Recommended Scenario”.)

- *** The recreation lake in Perkins+Will plan is larger than the lake identified under Future City-Funded Opportunities in the Blatchford Business Case (Attachment 1).

POSITIVES, NEGATIVES, RISKS

Scenario 5b

Positives
• Supports infill policy • Creates mixed-use and employment opportunities • Accommodates NAIT expansion • Provides destination park • Supports winter city design • Supports TOD policy • Positions City as a leader in achieving social and environmental sustainability

Negatives
• Extreme financial subsidy required • Long build out period due to density being focused on high rise built form (estimated 35 years)

Risks
• Slow down in low-medium-high density housing demand could extend build-out timeframe • Competes with downtown and other areas for high-rise residential development projects • Technical risks associated with deep geo-thermal/bio-mass district energy systems • City reputation for implementing a plan that requires this level of public subsidy.

Summary
Achieves Council’s declared vision.
Triple bottom line sustainability: • Social: Very High • Environmental: High • Financial: Extremely Low

Blatchford Concept with Reduced Sustainability Features Scenario 5c

This scenario demonstrates a program similar to the recommended scenario, but omits the district energy system, irrigation system, affordable housing and education program and has a reduced park area.

Key Features
• Medium-High Density Residential • Town Centre • Institutional Lands • Major Park (15.0% municipal reserve) • Urban Agriculture • Low Impact Development • Custom Designed Streets • High Performance Building Envelopes • Fibre Optic Network

PROFORMA

Revenues	
Land sales and revenue from existing leaseholds	$ 578,331,000
Total Revenues	$ 578,331,000

Expenses	
Capital development	$ 285,974,000
Soft costs (office, admin, marketing)	$ 38,432,000
Public Art, Master Plan	$ 6,547,000
Site costs (property interest acquisition, pre-construction)	$ 114,314,000
Develop the park (above “grade, level and seed” requirement)	$ 33,511,000
Total Expenses	$ 478,778,000

Net Profit (Loss)	$ 99,553,000

Notes

- Cost estimates for capital development, some pre-construction site costs, developing the park, and irrigation were provided by Stantec. The remaining costs were provided by the City or other consultants.
- Revenue projections were prepared by the City.

Scenario 5c

POSITIVES, NEGATIVES, RISKS

Positives
• Supports infill policy • Provides family-oriented housing • Creates mixed-use and employment opportunities • Accommodates NAIT expansion • Provides destination park • Supports winter city design • Supports TOD policy • Provides positive financial return

Negatives
• Medium build-out timeframe (estimated 25 years) • Reputation damage (reduced vision/not achieving sustainability/not world leading)

Risks
• Slow down in low-medium density housing demand could extend build-out timeframe

Summary
Does not achieve Council's declared vision.
Triple bottom line sustainability: • Social: Medium • Environmental: Low-Medium • Financial: Medium-High

Suburban Development Concept — Scenario 5d

This scenario represents a conventional suburban development of Blatchford and addresses questions from the July 3, 2013 Council meeting.

Key Features
• Primarily low density residential • Standard park dedication (10.0%)

PROFORMA

Revenues	
Land sales and revenue from existing leaseholds	$ 567,895,000
Total Revenues	$ 567,895,000

Expenses	
Capital development	$ 226,600,000
Soft costs (office, admin, marketing)	$ 16,640,000
Public Art, Master Plan	$ 7,547,000
Site costs (property interest acquisition, pre-construction)	$ 114,314,000
Develop the park (above "grade, level and seed" requirement)	$ 22,340,000
Total Expenses	$ 387,441,000

Net Profit (Loss)	$ 180,454,000

Notes

- Cost estimates for capital development, some pre-construction site costs and costs for developing the park were provided by Stantec. The remaining costs were provided by the City or other consultants.
- Revenue projections were prepared by the City based on the average allocation of land for parks (10% municipal reserve), roads, public utility lots, commercial, and low, medium and high density development, based on 12 suburban neighbourhoods currently being developed in Edmonton.

Scenario 5d

POSITIVES, NEGATIVES, RISKS

Positives
• Provides family-oriented housing • Provides positive financial return • Very fast build out period (estimated 8 years) • Very high rate of return

Negatives
• Lost opportunity to create a unique development near downtown • Typical investment in social and environmental sustainability • Eliminates prime opportunity for City to achieve infill development targets • Reduces TOD leverage due to low density • Reduces opportunity for mixed-use and employment • No NAIT expansion area • No major park • Reputation damage (abandoning vision)

Risks
• Slow down in demand for single detached product could extend build out timeframe • Would compete directly with +/- 50 suburban neighbourhoods for market share

Summary
Does not achieve Council's declared vision.
Triple bottom line sustainability: • Social: Low • Environmental: Very Low • Financial: Very High

2009 Airport Infill Development Study — Scenario 5e

This scenario was based on a "Demonstration Plan" that pre-dates Council's vision and as such only provides historical context. It has been included to address questions raised at the July 3, 2013, Council meeting.

Key Features
• Medium Density Residential • Town Centre • Institutional Lands (NAIT, school sites) • Major Park (15.0% municipal reserve)

Scenario 5e

PROFORMA

Revenues	
Land sales	$ 295,000,000
Total Revenues	$ 295,000,000

Expenses	
Capital development	$ 204,000,000
Total Expenses	$ 204,000,000

Net Profit (Loss)	$ 91,000,000

Notes
- The 2009 options and preliminary estimates were prepared by an external consulting team.
- The 2009 report identified the need to account for additional cost items that were not included in the estimates. To compare the 2009 option to the other scenarios in this report, the net profit must be adjusted to account for these items, as identified below.

Additional Revenues	
Sale / rent opportunities not identified in 2009	$ 65,409,000
Total Additional Revenues	$ 65,409,000

Additional Expenses	
Soft costs (office, admin, marketing)	$ 4,353,000
Public Art, Master Plan	$ 6,547,000
Site Costs (property interest acquisition, pre-construction)	$ 114,314,000
Develop the park (above “grade, level and seed” requirement)	$ 33,511,000
LRT Station costs included in the 2009 scenario	$ (12,000,000)
Total Additional Expenses	$ 146,725,000

Adjusted Net Profit (Loss)	$ 9,684,000

Scenario 5e

POSITIVES, NEGATIVES, RISKS

Positives
• Supports infill policy • Provides family-oriented housing • Creates mixed-use and employment opportunities • Accommodates NAIT expansion

Negatives
• Medium build-out timeframe (estimated 25 years)

Risks
• Slow down in demand for low-medium density product could extend build out time-frame

Summary
Pre-dates Council’s declared vision.
Triple bottom line sustainability: • Social: N/A • Environmental: N/A • Financial: N/A