



## WEST ROSSDALE CITY INITIATIVE

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Prepared for:  
**City of Edmonton**  
**Sustainable Development**

Prepared by:  
**DIALOG**  
**Coriolis Consulting Corp.**  
**Evergreen CityWorks**

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## EXECUTIVE SUMMARY

The City of Edmonton's terms of reference "The City requires independent identification and analysis of existing governance frameworks of large-scale sustainable urban land development and to determine applicability to the West Rosedale City Initiative."

The City of Edmonton's West Rosedale initiative is comprised of a group of linked projects including:

- The development of the City-owned lands in the West Rosedale neighbourhood.
- The "touch the water" river front promenade.
- The re-purposing of the Generating Station buildings.
- The mechanized access project connecting the entire neighbourhood to Downtown.
- The new Walterdale Bridge (which is under construction).

Each of these projects is of benefit to the other in the creation of a regional destination neighbourhood.

This project is one of the transformation projects undertaken by City Council during 2014. West Rosedale is to be Edmonton's most vibrant and exciting future destination. Community interest and engagement has been growing in that period since the decommissioning of the Generating Station. However, implementation for both the neighbourhood and Generating Station is complex and both requiring significant capital investment. The West Rosedale neighbourhood development requires investment that brings both local and regional benefits. The expectation for the neighbourhood is to be balanced against its expectation to finance associated public improvements, and even contribute to that of the Generating Station.

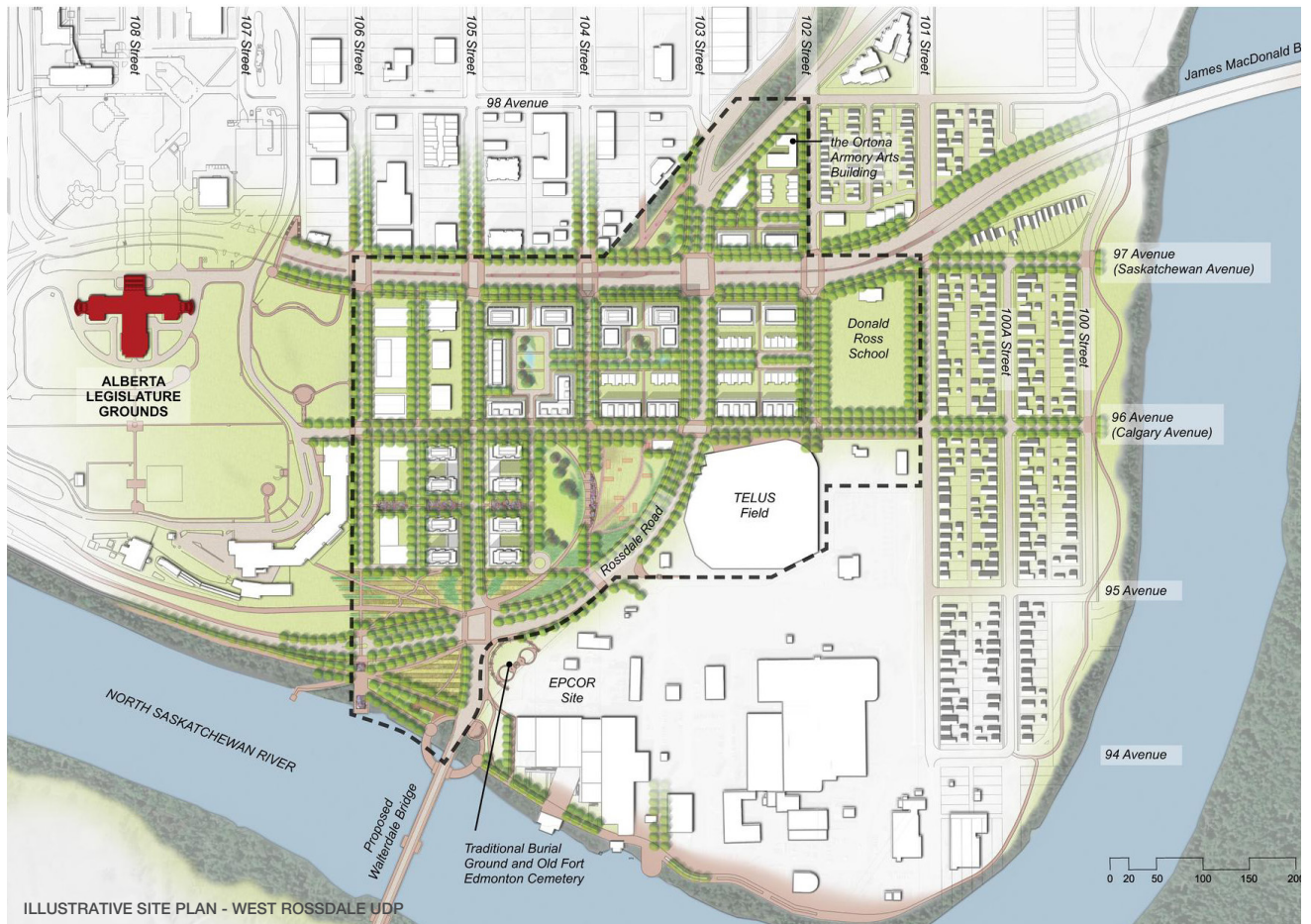
The re-purposing of the Generating Station demands significant public capital investment to enable permanent occupancy regardless of its programme; regardless the governance alternative.

Section 3.0 of the report identifies and evaluates the governance options that should be considered for development of the City-owned lands in the West Rosedale neighbourhood development. Section 4.0 examines governance options for the re-purposing of the Generating Station. The report concludes with Section 5.0 outlining recommendations:

- Overall recommendations common to West Rosedale neighbourhood development and re-purposing of the Generating Station.
- Recommendations specific to the West Rosedale neighbourhood development.
- Recommendations specific to the re-purposing of Generating Station.

The primary recommendation is that the City proceed with the establishment of a City-owned Municipal Development Corporation (MDC) that would be responsible for the redevelopment of the West Rosedale neighbourhood; and concurrently for the Rosedale Generating Station site with a Not For Profit (NFP) corporation.





# 1.0

## TERMS OF REFERENCE

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The City wishes to determine the preferred approach to implementation and governance for items 1 to 5 as follows:

1. Evaluate the likely financial performance of the plan for the West Rosedale neighbourhood development, focusing on the City-owned lands.
2. Identify changes that could be considered to improve the financial performance of the West Rosedale neighbourhood development.
3. Identify and evaluate governance options for the neighbourhood development.
4. Recommend the preferred approach to implementation and governance for the neighbourhood.
5. Provide input to the governance recommendations for the other related River Crossing projects.

The implementation process is to manage and coordinate each of these components and at the same time assure the mutual benefit to one another and the greater project.

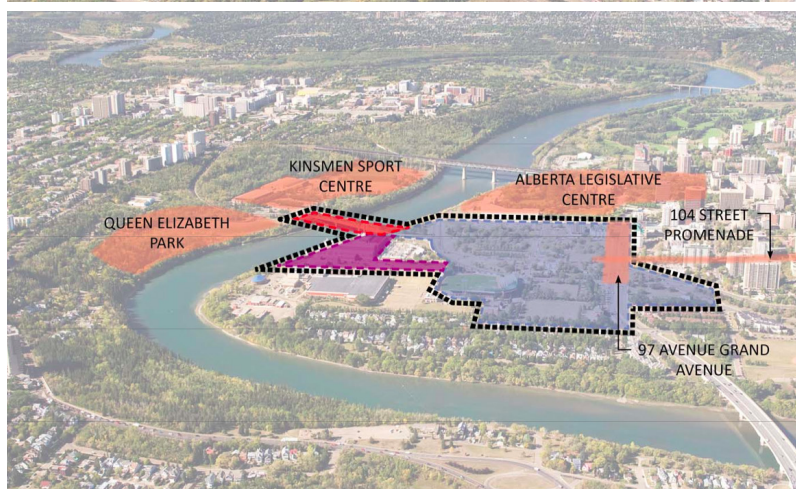
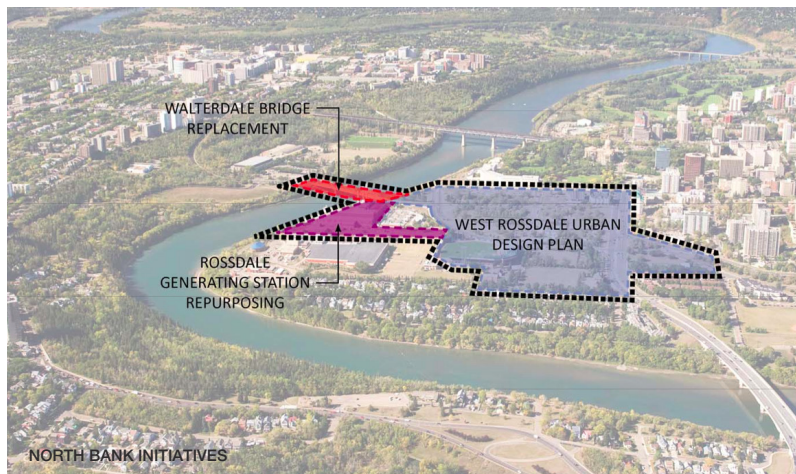
The City requires a governance framework for the City Initiative to:

Optimize financial return on investment to the City.

Optimize social and community return with regards to public space, heritage and urban experience and placemaking.

- Harmonize private and public land development
- Contribute to integrated decision-making
- Balance and engage stakeholder interests





# 2.0

VISION AND INITIATIVES



## 2.0 VISION AND INITIATIVES

### 2.1 The West Rosssdale Vision

The West Rosssdale – City Initiative includes the redevelopment of West Rosssdale, the Walterdale replacement bridge, the repurposing of the Rosssdale Generating Station Buildings and the “Touch The Water” promenade that connects the new bridge with the generating station site.

This project is viewed as one of the “transformation projects” undertaken by City Council during 2014. It supports numerous Corporate Outcomes in “The Way Ahead” as well as policy statements through “The Way We Grow” and “The Way We Live”.

Edmonton is a city of the water, a city of the river. The river is a symbol for our city, and for ourselves. The River Crossing is where we “touch the water.” The West Rosssdale – City Initiative is where the water touches us.

West Rosssdale is to be Edmonton’s most vibrant and exciting future destination. The name is a banner for a series of synchronized initiatives focused on the West Rosssdale Urban Design Plan, the replacement of the Walterdale Bridge, and the repurposing of the Rosssdale Generating Station. Together they create a single diverse destination of a neighbourhood, a place to work, to play and shop and learn; touching the water with broad amenity, a location adjacent to downtown and the Legislature; and located within an area rich in history and archeology. It integrates cultural facilities, natural amenity and neighbourhood development with one another through focusing them on the valley and the river. It creates a destination neighbourhood.

Components of the project has come before City Council a number times over the past several years.



WEST ROSSDALE - CITY INITIATIVES

## 2.2 Plans and Initiatives to Date

This report is developed in context with other initiatives that are part of “The River Crossing”, including:

- “Touch The Water: The North Bank – Edmonton Legacy”, 2010.
- “Edmonton • Alberta’s Capital City Integrated Planning and Design Initiative”, 2009.
- West Rosssdale ARP Amendment, Zoning Bylaw Amendment, and Urban Design Plan, 2011.
- Walterdale Bridge Replacement and Approach Road, in construction.
- Capital City Downtown ARP, 2010.
- Rosssdale Generating Station Repurposing: Preliminary Programme Statement, 2010.
- Rosssdale Generating Station Repurposing: Preliminary Building Assessment, 2011
- Repurposing the Rosssdale Site: Views and Perspectives, September 2011.
- West Rosssdale Roads and Public Realm Improvements, Preliminary Design underway and ongoing in 2014.
- West Rosssdale Development Parcel Testing and Confirmation, 2013.
- RFEOLs – Mechanized Access and Generating Station Repurposing, 2013.

Under the existing Urban Design Plan, the neighbourhood is anticipated to include between 2100 and 2200 multifamily units upon completion with about 1600 to 1700 units on the City’s lands. Although substantial work has been completed over the past several years, no clear path forward on development of the City’s lands has been identified to date.

The City of Edmonton owns about 80% of the lands identified for urban development in West Rosssdale.

A number of works are underway, from design, to construction and financing within The River Crossing area:

- Walterdale Bridge replacement is in construction with completion scheduled for 2016.
- West Rosssdale Roads and Public Realm Improvement. Preliminary design is underway and funding for capital construction remains to be approved.
- Generating Station stabilization and negotiation for the turnover of the buildings associated lands to the City from Epcor.
- Telus Field review about its future status.

Additional initiatives introduced include to City Council are:

- Touch the Water promenade and Mechanized Access. They are proposed and defined to both create amenity and are approved for funding through the River Valley Alliance as part of its connectivity funding. Total approved funding is for \$34.5 million.

## 2.3 Community Interest

Over the past number of years there has been a number of community consultations about both the neighbourhood plan, repurposing and the prior decommissioning of the Generating Station, and the bridge replacement. To date however these initiatives have not gone forward as a single integrated concept. Community initiatives include:

- Epcor consultations on decommissioning, 2010
- Public meetings, first nation consultations for HRA clearance, Stakeholder Input Panels (SIPs) for the bridge replacement and the West Rosssdale Roads projects.
- Grass roots community initiated interest is focused primarily on the retention, stabilization and reuse of the Generating Station. Re GEN has been the primary voice in this effort.

## 2.4 City Council Reports

A series of reports have been prepared and brought forward to City Council over the past several years regarding implementation:

### 2.4.A Rossdale Lands Redevelopment – Breakdown of Costs, 21 March 2012

**Report Summary:** *This report provides information on the redevelopment/repurposing of the Rossdale Generating Station buildings and the West Rossdale land development.*

*Previous Council/Committee Action*

*At the November 2, 2011, Executive Committee meeting, the following motion was passed:*

*That Administration return to Executive Committee with a report outlining a breakdown of costs associated with the Rossdale Lands Redevelopment, including:*

- *Responsibilities of EPCOR prior to the EPCOR buildings being returned to the City.*
- *A budget for servicing the land, including a reasonable landscaping package which might be part of the developer's costs.*
- *Information on whether a contractor could heat the building in 2012, and associated costs.*
- *Information on the roadwork that needs to be done, outside of the development.*
- *A status report on the first phase of the plaza development.*

### 2.4.B Rossdale Land Redevelopment, June 29, 2011

**Report Summary:** *This report provides information on opportunities and constraints relative to the land redevelopment plans for West Rossdale.*

*On April 27, 2004, City Council directed Administration to prepare an amendment to the Rossdale Area Redevelopment Plan Bylaw 8139 to address the lands in West Rossdale including rezoning, urban design considerations and a detailed archaeological review. Council's direction included a caveat that none of the lands were to be sold until the West Rossdale Plan Amendments were approved by Bylaw.*

### 2.4.C Rossdale Land Repurposing and Details on Structural Repairs, June 29, 2011

**Report Summary:** *This report provides information on the repurposing of the decommissioned Rossdale Power Plant.*

*In 2010, EPCOR began the decommissioning of the Rossdale Generation Station site. This will include the removal of the non- historical power generating buildings at the Rossdale site with the future goal to open a portion of the west side of the site to the public ("New Public Green Space" shown on Attachment 1). The High Pressure Plant (includes the High Pressure Boiler House and High Pressure Turbine Hall & Gas Turbine Building), Control Room, Machine Shop & Stores building and the Garage are currently being removed with completion expected later this year. EPCOR has assured stakeholders that they are working to minimize decommissioning impacts, and are committed to protecting the heritage, history and archeology at the Rossdale site.*

- *EPCOR is proposing to transfer the new public green space and the Low Pressure Plant and Switch House to the City of Edmonton.*



### **Rossdale Generating Station and Plaza**

- A preliminary public consultation was hosted by the City of Edmonton on November 30, 2010. The purpose was to develop and share ideas about the potential transformation of the Rossdale Generation Station and Plaza and its site as a major public destination. Carlyle and Associates and Dialog have prepared a preliminary program statement for the repurposing of the Rossdale Generation Station and Plaza to help inform Administration of the opportunities to synchronize area specific development opportunities.
- A further stakeholder consultation process will be initiated in September 2011.

### **2.4.D Central River Valley Vision, The River Crossing, June 29, 2011**

**Report Summary: This report provides information on the various projects and land redevelopment planning underway in the Central River Valley and proposes an overall vision for the area and strategy to coordinate the management of those projects.**

*This report is being advanced concurrently with two related reports titled Rossdale Land Redevelopment (2011SCO534) and Rossdale Land Repurposing and Details on Structural Repairs (2011SCO901).*

*On April 27, 2004, City Council directed Administration to prepare an amendment to the Rossdale Area Redevelopment Plan Bylaw 8139 to address the lands in West Rossdale including rezoning, urban design considerations, and a detailed archaeological review. An extended time frame was required to completed Archaeological work in advance of further undertakings with the Rossdale community to prepare amendments to the Rossdale Area Redevelopment Plan, West Rossdale (DC1) Direct Control Zoning Provisions and the Draft West Rossdale Urban Design Plan. These draft documents were formally presented to residents, other stakeholders and the public at a meeting in November 2010. The Draft West Rossdale Urban Design Plan envisions an urban village located adjacent to Downtown and the river valley and would provide new vitality to the area. The draft documents are scheduled for City Council's consideration in July 2011.*

*In March 2011, City Council gave approval to the alignment and concept design for the new Walterdale Signature Bridge. The Request For Proposals for the preliminary and detailed design is currently being finalized for completion in 2012, with construction to be undertaken in 2013-14.*

*The Rossdale Generating Station and Plaza began in 2010 with the decommissioning of the EPCOR station. This includes removal of the non- historical power generating buildings with the future opportunity to open up the west side of the site to the public. The removal of non-historical buildings is expected to be complete by the end of 2011. A preliminary program statement for the Rossdale Generating Station repurposing was completed in 2010 and Community Services is now developing a detailed program statement with public input in the fall of 2011.*





AERIAL VIEW OF WEST ROSSDALE



ROSSDALE ROAD AT 96 AVENUE LOOKING NORTH - WEST ROSSDALE UDP



96 AVENUE AT 104 STREET LOOKING WEST - WEST ROSSDALE UDP

# 3.0

WEST ROSSDALE  
NEIGHBOURHOOD  
DEVELOPMENT



## 3.0 WEST ROSSDALE NEIGHBOURHOOD DEVELOPMENT

This section identifies and evaluates the governance options that should be considered for development of the City-owned lands in the West Rosssdale neighbourhood development. Section 4.0 examines governance options for the re-purposing of the Generating Station.

### 3.1 Governance Options for Neighbourhood Redevelopment

There are three general governance options that could be considered for development of the City-owned lands in the West Rosssdale neighbourhood:

- The City could sell its lands in West Rosssdale to a private sector developer. The developer would then obtain approvals and be responsible for constructing (or funding) infrastructure upgrades and public realm improvements prior to proceeding with construction of buildings.
- The City could act as the land developer, completing the approvals, infrastructure upgrades, and public realm improvements prior to selling zoned, serviced subdivided development parcels to private developers on a phased basis.
- The City could establish a wholly-owned Municipal Development Corporation (MDC) which would be responsible for completing the land development process and selling zoned, serviced, subdivided development parcels to private developers on a phased basis. This would require Provincial approval.

In all cases, private sector developers would develop the individual buildings within the development parcels. The difference between the three options is the approach to completing the land development and making development parcels available to the private sector.

### 3.2 Approach to Evaluation

In order to evaluate governance options for the West Rosssdale neighbourhood development, it is important to first evaluate the advantages and disadvantages of the neighbourhood development plan to help determine the likely interest of the private sector in the land development process. If the land development project does not generate a sufficient profit, a private sector land developer would require a significant investment/subsidy from the City to proceed with the land development. If this is the case, making the land available as-is to a private developer may not be attractive to the City.

Therefore, we completed our evaluation of governance options for the West Rosssdale neighbourhood in two main steps:

- We evaluated the neighbourhood development plan. This included:
  - Preliminary financial analysis for a variety of development scenarios for the City-owned lands.
  - An evaluation of other factors that could affect the interest of a private sector land developer.
  - Identification of the implications for private sector involvement.
- We evaluated the governance options.





## 3.3 Evaluation of Neighbourhood Development Plan

### 3.3.1 Financial Analysis of Land Development

#### Approach

We completed a preliminary analysis of the likely financial performance of proceeding with development of the City-owned lands in West Rosedale. Our financial analysis:

- Calculates all revenues and costs associated with the land development (infrastructure, public realm improvements, development management, professional fees, marketing, financing and other costs).
- Projects the revenues and costs on an annual basis over the estimated development horizon.
- Estimates the annual profit or loss associated with the land development and calculates the cumulative annual profit or loss over the course of the development.
- Calculates the net present value of all future cash flows.

The analysis excludes inflation on revenues and costs so all figures are in \$2014. This may be conservative (depending on whether or not land values increase at a faster pace than land development and construction costs). However, given the uncertainty about future land value and cost inflation, we have left inflation out of the analysis to ensure the results are not skewed positively or negatively by inflation assumptions.

Key assumptions to our approach can be summarized as follows:

- The analysis is for the land development and does not include the potential revenues or costs associated with constructing buildings. It assumes that the land developer:
  - Completes all planning, approvals, site preparation, servicing, infrastructure and public realm improvements.
  - Sells vacant, zoned, serviced development ready parcels to private developers at full market value.
- The analysis focuses on land owned by City. The analysis does not include any of the privately-owned lands, in the area.
- No profit margin is included in the financial analysis. The analysis calculates the profit or loss associated with the land development.
- Normally, one of the costs associated with a land development project is the upfront cost associated with acquiring the raw land. However, our analysis does not include a cost to acquire the City-owned lands upfront. The City already owns the property so the analysis provides a forecast of the incremental costs (and revenues) associated with development of the City's property. Any estimated positive cash flow that results could be considered either profit on the marginal costs invested or recovery of existing land value.
- As instructed by City staff, the analysis assumes that the City injects \$10.6 million toward the creation of the roads and infrastructure in the neighbourhood. Our understanding is that these funds have already been approved by the City and that this investment does not need to be recovered by the land development.

#### Scenarios Analyzed

We first analyzed the land development under the existing zoning currently approved for the City-owned lands in the neighbourhood (base case). This illustrated that the land development as currently planned is not profitable.

Therefore, we also examined a variety of additional scenarios that illustrate the impact on the overall profitability of specific changes to the development plan or zoning. Analyzing the feasibility of implementing these additional scenarios was outside the scope of our work. These additional scenarios are provided for illustrative purposes only to identify the potential positive financial impact of options that could be considered by the City. If the City is interested in pursuing any of these scenarios, more detailed analysis would need to be completed.

The scenarios we evaluated are layered-up in terms of the probable complexity or challenge associated with implementation. Scenario 1 starts with the existing zoning and development and then subsequent scenarios introduce possible changes to the development plan or development policy that could be considered. Each scenario builds on the previous scenario so that the overall financial impact is cumulative.

In total, we analyzed six different scenarios for the neighbourhood development:

- **Scenario 1 - Base Scenario.** This scenario is based on the existing approved zoning for the City-owned land in West Rosedale and the latest cost estimates for the roads and public realm. The key assumptions are as follows:
  - The existing zoning regulates density using two different measures: FAR and Units per Hectare. Permitted density is limited by the lower of the two different measures. The floorspace yield for this scenario is based on estimates prepared under the West Rosedale Development Parcel Testing and Confirmation which indicate that about 1.2 million square feet of floorspace can be built at the City-owned parcels based on the maximum permitted FAR. This is equivalent to about 1200 units (at 1000 gross square feet per unit) which is lower than the 1680 units that can be achieved using the units per hectare measure.
  - Land development costs estimates and allowances (roads, infrastructure, public realm, park improvement, soft costs) are as prepared under the West Rosedale Roadway and Public Realm Improvement Project.
  - Interest is charged at 4.5% as instructed by City staff.
  - The City provides an investment of \$10.6 million into roads (funds already approved by City) as instructed by City staff.
  - No land acquisition is required as the City owns all of the property required for the planned roads and infrastructure.
  - The private lands pay for the cost of public realm improvements adjacent to their lots (assumed to be \$5,000 per lineal metre of frontage based on the most cost estimates for the public realm).
  - The City-owned lands are assumed to be sold at a pace that averages about 100 units per year (less absorption at the private lands in the neighbourhood). This results in a total development horizon of about 18 years for the entire neighbourhood (including the private lands). This is based on preliminary apartment demand forecasts that we completed for West Rosedale, taking into account the likely future size of the overall Edmonton apartment market and the number of locations in the City that will be competing for a share of this market.
  - The estimated average market value of the City-owned lands is about \$31 per square foot buildable (\$31,000 per unit). This is equivalent to \$35 per square foot buildable (\$35,000 per unit) less the estimated impact on development site land value of the Affordable Housing (\$3 per square foot) requirement and Public Art requirement (\$1 per square foot) contained in the existing zoning.
  - Marketing/commissions are set to 2.5% of land sales revenue to cover cost of RFPs or listing commissions.
  - The City-owned lands continue to be exempt from property taxes until sold to developers.
  - Development management fees/costs are set to \$500,000 per year to cover staff and overhead needed to manage the project. This assumes that the project is managed by City staff. Depending on the governance model, the actual costs could be higher. We would expect annual management costs to be higher for a private sector developer or a Municipal Development Corporation.
- **Scenario 2.** Assumes that the existing zoning is modified to allow development using the units per hectare measure in the existing zoning (which is consistent with the ARP and UDP density). This increases the unit yield at the City-owned lands to 1680 units. All other assumptions are identical to Scenario 1.
- **Scenario 3.** Assumes that as the privately-owned sites in the neighbourhood are developed, these sites contribute about \$4,000 per unit (or \$4 per square foot buildable) toward the estimated cost of roads and infrastructure in the neighbourhood. All other assumptions are identical to Scenario 2. This scenario assumes that the land developer funds the overall costs of the roads and infrastructure, but is able to recover a portion of these costs from the private lands that benefit from the new infrastructure.

1 Using FAR, a further 350,000 to 400,000 square feet can be achieved at private lands in the area.

2 Using UPH, a further 500 units can be achieved at the private lands in the area.

3 This levy assumes that the total road costs net of the City's \$10.6 million investment is about \$9.2 million. With 2100 to 2200 units achievable, this equivalent to about \$4,000 per unit (rounded).

- **Scenario 4.** Assumes that the affordable housing (5% of all units made available to the City at 85% of market value) and public art requirements (\$10 per square metre of floorspace) contained in the existing zoning are eliminated. We estimate that this would increase the value of the City-owned lands by about \$4,000 per unit. All other assumptions are identical to scenario 3.
- **Scenario 5.** Assumes that the planned Rossdale Park site size is reduced so that the portion west of 104th Street is available for development. This is consistent with the latest road plan for the neighbourhood identifies in the West Rossdale Roadway and Public Realm Improvement Project, but the additional developable land would require rezoning. This scenario increases the neighbourhood unit yield by about 390 units. All other assumptions are identical to scenario 4. The Roadway and Public Realm Improvement plan identifies 104 Street as the alignment for potential mechanized access and active transportation between the Generating Station and the Downtown.
- **Scenario 6.** Assumes that the existing City-owned Telus Field site is made available for redevelopment (at 260 units per hectare which matches the density at the adjacent parcels), but it excludes any costs to demolish and replace the existing facility in an alternate location. The City asked us to evaluate this scenario for illustrative purposes only. No decision had been made to include the Telus Field site within the neighbourhood development. A decision to include Telus Field would require a detailed evaluation of the future of Telus Field and all of the related costs. This scenario assumes that 600 additional units could be accommodated at the Telus Field site. An alternative with a similar financial impact would be to increase densities on the other City-owned sites in the neighbourhood to accommodate an additional 600 units. All other assumptions are identical to Scenario 5.

## Results of Analysis

The following table summarizes the key findings for each scenario. The table summarizes:

- The assumed number of units at the City-owned lands.
- The net present value of the annual income or loss for the scenario (using a 4.5% discount rate to match the assumed long term borrowing rate). This is the estimated value available for either profit or recovery of existing land value.
- The cumulative income or loss for the scenario at the end of the development time frame (this could be considered the future value of the annual profit/loss stream).

## Summary of Financial Analysis for Each Scenario

Scenario	Units on City Lands	NPV of Income/Loss (5% discount rate)	Cumulative Income/Loss (not present valued)	Development Years
1	1201	-\$21.6 million	-\$38.3 million	18
2	1679	-\$8.5 million	-\$20.0 million	21
3	1679	-\$7.1 million	-\$17.4 million	21
4	1679	+\$2.5 million	-\$9.9 million	21
5	2068	+\$0.8 million	+\$0.6 million	24
6	2670	+\$6.0 million	+\$17.3 million	30



The key findings are as follows:

- Development of the City-owned lands is not financially attractive under the existing zoning. As shown in Scenario 1, the estimated land development costs significantly exceed the potential revenue from the development and sale of the City-owned lands.
- There are a variety of opportunities that could be considered which will improve the financial performance of the neighbourhood development and possibly generate a profit for the land developer. These include:
  - Modifying the zoning so that the achievable yield matches the permitted units per hectare regulations in the zoning (which would be consistent with the ARP and UDP).
  - Introducing a mechanism requiring the private land owners to contribute to the required road and infrastructure upgrades in the neighbourhood when the private lands are developed.
  - Modifying the existing zoning to eliminate the public art and affordable housing requirements.
  - Reducing the planned West Rosedale park size to increase developable City-owned land. The West Rosedale Roadway and Public Realm Improvement Project offers this opportunity. That plan identifies 104 Street as the alignment for potential mechanized access and active transportation between the Generating Station and the Downtown.
  - Including Telus Field as development site. This would require a detailed evaluation by the City on the future of Telus Field and all of the related costs. No decision had been made to include the Telus Field site within the neighbourhood development.
  - Increasing permitted height and density beyond the heights and densities identified in the ARP and UDP (at least for part of the neighbourhood).
  - Allocating a higher share of the arterial road costs to the broader community, particularly given that part of the arterial road costs are for upgrades beyond the boundary of the City-owned lands in the neighbourhood.
  - Reducing public realm costs.

To achieve a profit on the land development, most of these changes would need to be considered. However, it should be noted that these options are provided for illustrative purposes only. If the City is interested in pursuing any of these scenarios, more detailed analysis would need to be completed.

Some of these options involve changes to zoning and statutory plans. These changes would require a Public Hearing and Council approval. Any significant changes to the neighbourhood development plan should also include a comprehensive public consultation process and consultation with First Nations.

- In the absence of significant changes to the development plan and zoning, the land development will not create any income that can be applied to other River Crossing projects (such as re-purposing the Generating Station).
- In the absence of significant changes to the development plan and zoning, the land development will not be financially attractive to a private land developer.

### 3.3.2 Other Factors to Consider

In the absence of significant changes to the development plan and zoning, the land development will not be profitable. A private sector land developer would require a significant investment/subsidy from the City to proceed with the land development. Therefore, making the land available as-is to a private developer is not likely to be attractive to the City.

Even if the development plan and zoning for the neighbourhood can be revised to make the land development profitable, there are other factors that make private sector implementation challenging:

- Prior to development, our understanding is that Historic Resources Clearance is required which will involve consultation with First Nations as well as archaeology and paleontology investigations. Therefore, the actual development potential of the City's land is uncertain until the investigations and consultation are complete.
- To make the land development financially attractive to a private developer, the achievable unit yield at the City-owned lands will need to increase significantly. This will require one (or both) of the following:

- Revisions to the ARP, UDP and zoning allowing increased height and density at parcels currently included in the plan. The outcome of this process involves considerable uncertainty.
- The inclusion of additional City-owned land, such as Telus Field, in the residential development plan. However, Telus Field is not part of the neighbourhood development plan so this would require a detailed evaluation by the City on the future of Telus Field and all of the related costs. No decision had been made to include the Telus Field site within the neighbourhood development.

These factors create significant uncertainty about the potential to achieve a financially attractive development plan for the neighbourhood, which may mean there is no interest from the private development community in acquiring the land from the City (in the absence of the City funding a share of the costs). If there are developers who have an expectation that the plan can be revised to make it financially attractive, we would expect them to discount the land value paid to City or transfer the approvals risk back to City (e.g., make any offer conditional on specific changes to the plan and zoning).

### 3.4 Evaluation of Governance Options

Unless the City is willing to make significant changes to the development plan and zoning for the neighbourhood, the land development will not be financially attractive to a private developer. In addition, the uncertainty associated with the requirements for First Nations consultation and archaeological investigations will limit private sector interest. These issues would likely all need to be addressed in advance by the City in order to sell the City-owned lands to a private developer with business terms that are attractive to the City.

Therefore, we think that the two governance options that should be considered for the West Rosedale Neighbourhood are:

- The City acting as the land developer, selling zoned, serviced subdivided development parcels to private developers on a phased basis. The City has the capability to act as the land developer (similar to its role as the land developer for the Blatchford redevelopment).
- The City establishing a wholly-owned Municipal Development Corporation (MDC) which would be responsible for completing the land development process and selling zoned, serviced, subdivided development parcels to private developers on a phased basis.

Both options have advantages and disadvantages and either option could be considered.

The key advantages of establishing an MDC are:

- It will allow the involvement of industry expertise at the Board and staff level (which should improve financial performance).
- Decisions can be based primarily on a business case.
- Decision making will be faster and more flexible, allowing sites to be sold when opportunities arise or partnerships to be pursued with private land owners.
- Less direct involvement by Council and senior management at the City (although the MDC would report to Council periodically to provide progress updates and approve budgets). The City is already focusing significant time and resources on the Blatchford redevelopment so an MDC for West Rosedale would help minimize any additional administrative load on the City.
- A specific development team can focus on creating and implementing a financially viable development plan for the City's lands. The West Rosedale development will be more complex than typical land development projects. Therefore, it will be important to have team that can work together to make key decisions. If implemented internally by the City, there will likely be a need for inter-departmental discussions and agreement on an ongoing basis.
- It will help ensure that the development is sufficiently resourced and prioritized. Despite significant planning efforts to date, it appears that the West Rosedale project has not been a priority for the City given its other initiatives (such as Blatchford, the Quarters, the Arena and Entertainment District).

The disadvantages of establishing an MDC are less day-to-day control by Council, increased staff and overhead costs (to establish and operate a separate development corporation) and possibly increased property taxes (the provincial portion) as the lands may not be tax exempt if transferred to a development corporation.

### 3.5 Recommended Governance Approach for Neighbourhood Development

We recommend that the City establish a wholly-owned Municipal Development Corporation (MDC) to act as the land developer for the redevelopment of the West Rosedale neighbourhood.

### 3.6 Suggested Roles of the City and the Municipal Development Corporation

Implementation of the West Rosedale neighbourhood development will involve several key tasks. Once established, many of the steps can be completed by the Municipal Development Corporation. However, there are some tasks that will need to be completed by the City. This section outlines the key implementation steps and identifies the tasks that can be completed by the MDC and the tasks that will likely need to be completed by the City.

- Create the MDC and capitalize it. The City will need to create the business case for the MDC, obtain approvals (Provincial and municipal), legally establish the corporation, create a detailed governance framework, appoint board members, and provide the corporation with sufficient capital and resources.
- Identify and define the City-owned properties that will be within the neighbourhood development project. The City will need to define the properties that are available for development. This will require decisions about the preferred size of West Rosedale Park and whether other City owned properties (i.e., Telus Field) should be included in the development project.
- Complete any required First Nations consultation and Heritage Resource Clearance (HRC). This step can be divided into two different categories:
  - Political tasks. Our understanding is that the required First Nations consultation process is currently being clarified by government. The City should be responsible for any political aspects of the required process.
  - Technical tasks. Once established, the MDC could manage the technical aspects of Heritage Resource Clearance, such as the required archaeological investigations and permits. This would make sense if there is a high probability that the archaeological investigations will not result in a significant reduction in the neighbourhood development potential. However, if there is reason to assume that the results of the investigations could impact the redevelopment, this task should be completed by the City in advance of creating the MDC. Otherwise, the City risks incurring the cost of creating the MDC without a full understanding of the actual development opportunity and viability of the project. We suggest that the City further consult with archaeology experts and the Province conducting preliminary investigations before allocating this task to the MDC.
- Amend the existing ARP, UDP and zoning. This step can be divided into two different tasks:
  - Plan and apply for amendments. The MDC should be involved in any additional planning and consultation work that is needed to create a financially viable development project and then it should apply for any required approvals. However, because it may take some time to establish the MDC, the City should consider starting the planning and consultation work that will likely be required. The MDC could then be included in the planning work once it is operational.
  - Approve amendments. The City would be responsible evaluating proposed changes and for approvals.
- Acquire any additional privately owned land that is required. If additional land needs to be acquired from private property owners to implement the redevelopment plan, the City will need to acquire the property. No additional private property acquisitions are required under the West Rosedale Roadway and Public Realm Improvements plan.
- Create a mechanism to collect contributions from private land owners toward the overall cost of the roads and infrastructure needed to complete the neighbourhood development and allocate the proceeds to the party that funded the upfront infrastructure (i.e., MDC or City). Private property owners will benefit from the new roads and infrastructure built in the neighbourhood, which will likely be front-ended by the MDC (or the City). When private sites are developed, the private sites should contribute toward their fair share of the road and infrastructure costs. The City will need to create a mechanism for collecting contributions from the remaining privately owned sites.

- Design, fund and construct roads and infrastructure required for the neighbourhood development.
  - For roads and infrastructure that are inside the boundaries of the neighbourhood, the MDC should complete any remaining planning and design and be responsible for funding and managing the construction of the roads and infrastructure. This will give the MDC control over the timing of road and infrastructure phasing and the timing of parcel servicing. Depending on the outcome of item 2 (site definition) and item 4 (ARP, UDP and zoning amendments), the City may need to assist with funding of the roads and infrastructure.
  - The current road and public realm plan extends beyond the immediate boundaries of the neighbourhood. Any portion of the planned roads or infrastructure that is outside the neighbourhood boundaries should be the responsibility of the City. The MDC could help manage the design and construction as needed, but should not be responsible for funding.
- Subdivide development parcels and complete public realm and park improvements. This would be completed by the MDC.
- Market and sell development parcels. This would be completed by the MDC.

The following table summarizes the key tasks that will need to be completed and the role that the MDC and the City should play in each task.

#### Role of MDC and City by Task

	Task/Item	City	MDC
1	<b>Create and capitalize MDC</b>	•	
2	<b>Decide on development site definition (e.g. park size, use of Telus Field)</b>	•	
3	<b>First Nations consultation and archaeology (HRC):</b>		
3a	Political	•	
3b	Technical	•	•
4	<b>ARP amendment, zoning changes:</b>		
4a	Plan and apply for amendments	•	•
4b	Approve amendments	•	
5	<b>Acquisition of private land</b>	•	
6	<b>Adopt mechanism to obtain infrastructure contributions from private lands in neighbourhood</b>	•	
7	<b>Off-site major roads and infrastructure:</b>		
7a	Inside site boundaries		•
7b	Outside site boundaries	•	
8	<b>Subdivision and on-site roads/services/public realm</b>		•
9	<b>Market and sell parcels</b>		•



### 3.7 Mandate of the Municipal Development Corporation

If created, the general mandate of the Municipal Development Corporation would be to implement the phased servicing, subdivision and disposition of the City-owned lands to:

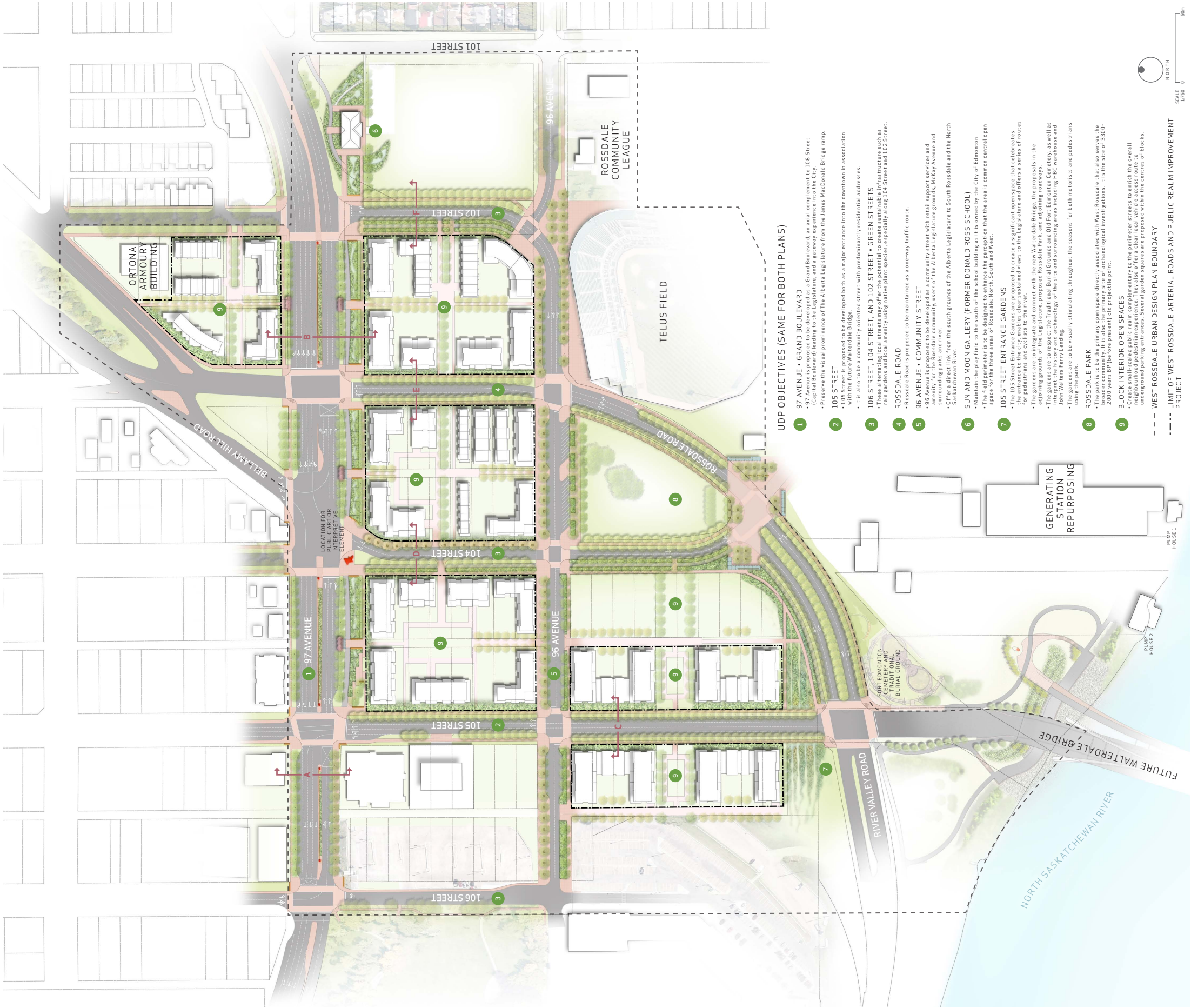
- Achieve the vision in the Urban Design Plan (or amended plan).
- Recover the capital investment that is needed to implement the development.
- To the extent possible, earn a profit on the land development to return to the City.

If the City accepts the recommendation to create a Municipal Development Corporation and accepts the suggested roles of the City and the MDC outlined in Section 3.6, the responsibilities of the MDC would include:

- Working with the City, create a revised development plan for the neighbourhood that helps improve the financial performance of the land development. Depending on the nature and extent of the changes that are required to the existing plan, this may require consultation with the Rosedale neighbourhood, Alberta Infrastructure and First Nation stakeholders.
- Obtain amendments to the ARP and existing zoning districts. This will require a Public Hearing and Council approval.
- Complete any outstanding tasks needed to obtain Heritage Resource Clearance not already completed by the City.
- Create detailed budgets and cash flow forecasts for the overall land development project.
- Create a detailed phasing plan for the servicing and disposition of the development parcels.
- Create a detailed marketing plan, including a decision about the method of disposition (i.e., marketing parcels via Request for Proposals versus listing parcels with a commercial broker).
- Implement the phased servicing and subdivision plan to create individual development parcels.
- Market individual development parcels on a phased basis, creating offers for sale and purchase.
- Report regularly to City Council (the shareholder) on the progress and financial performance of the project.
- Obtain support from City Council (the shareholder) on major decisions.

The MDC will have a Board of Directors that should be comprised of individuals with expertise and experience in the land development industry (particularly with projects similar to the type envisioned in the UDP) plus representation from the City as appropriate.

If there is interest in creating a formal vehicle for a broad range of stakeholder inputs to the Board, the Board could consider establishing an advisory committee of individuals with a cross-section of interests rather than appointing representatives to the Board from the community, First Nations or other interested parties.









# 4.0

ROSSDALE GENERATING  
STATION DEVELOPMENT

•• GOVERNANCE ALTERNATIVES





## 4.0 ROSSDALE GENERATING STATION DEVELOPMENT

### • GOVERNANCE ALTERNATIVES

This section reviews and recommends governance for context specific, “best fit” for repurposing and management of the Rossdale Generating Station.

These are developed from a review of prior City initiatives, community engagement and interest to date as well as informal interviews we have undertaken. Further, the challenges and opportunities represented by projects in other cities have been investigated.

Through this process we have identified a coherent base program, the likely positive influence that this could have on the community, the city and the province, and the likely financial implications over a phased ten year period of development. At this stage next steps are identified for the City of Edmonton with regards to options that should be investigated in more detail. In particular direction for the governance model required to support this effort into the future is recommended.

The governance options are assessed by criteria, including but not limited to their ability to support the following objectives:

- coordinate implementation of multiple activities including capital and operation of the site,
- maintain financial viability and accountability,
- work within the financial and funding environment of the City,
- maintain effective reporting relationships with City Council,
- steward the overall planning, design, construction and programming.
- develop interest and an outcome for philanthropic support of the initiative.

### 4.1 Program Opportunities

The consensus from all accounts and from our own analysis is to re-purpose this building as a gateway/ catalyst project for the City of Edmonton and a centre for social and economic innovation across Alberta. As expressed by successes in other cities around the world, the adaptive reuse of large heritage buildings can offer tremendous value to economic revitalization, city building strategies and, if done right, these projects can be places for innovation, community engagement, tourism, and more generally they can be defining for an entire city with regards to its past, present and future.

As a catalyst project for the city and for the province, the redevelopment of the Rossdale Generating Station should be a place for creativity and innovation. A place where innovators will interact with citizens, academics, business and government. It is an opportunity to create a prominent place for collaboration in the capital of Alberta. The large scale and inspiring design of the buildings will offer tremendous opportunity for community program space, exhibitions, meetings, and work space.



VIEW OF THE GENERATING STATION FROM THE NORTH SASKATCHEWAN RIVER



BOILER HALL

The Rosedale Generating Station can play a significant role in the revitalization of the surrounding neighbourhood. As a “place making” community facility the project will help to catalyze and anchor a plan for the addition of more than 2000 housing units in West Rosedale. At the city level, it will be a unique gateway project at the river’s edge, welcoming people to Edmonton after crossing the new Walterdale Bridge. At the provincial level, the building could be an important innovation hub for Alberta – as a centre of inventing the future, citizen engagement, prosperity, creativity, and sustainable city building.

The program plan is driven by a core vision for a “generating station”, “incubation centre”, “innovation centre”, “revitalization hub” and “urban resiliency showcase” for the city of Edmonton – a place for the next generation of leaders to come together and explore new ideas related to sustainable, smart, resilient and prosperous cities. This program requires a sincere commitment, the right leadership and a range of partnerships, programs and activities to help bring it to life over the next decade and join the ranks of other similar, large scale projects around the world.

The program plan is loosely developed into three main categories as follows:

#### 4.1.1 Incubation / Acceleration / Co-Location / Office and Studio Space

The strategic focus will be on social enterprise, entrepreneurial start-ups, innovation programming and creative/ digital technology. A co-working space and launch pad for entrepreneurs who are moving real, action oriented ideas forward. The facility will provide people and organizations with space, and the tools they need to accelerate their success and drive social and economic prosperity. The office space will be organized into a series of pods, sub divided for single and multi-tenant operators with share meeting rooms, lunch rooms, technology and common area facilities as per Centre for Social Innovation, MaRS, and The Hive. Partnerships with local business, universities and colleges as well as municipal/ provincial governments will be necessary to fully realize the vision for an innovation centre.

- Revenue target of \$1.5 million gross annually (\$25 psf x 60,000 - use of the Switch House (15,000 sq ft), a portion of the Boiler Hall ground floor (24,600 sq ft), as well as the basement and upper floors (to be added) for a total of 50,000-70,000 – for single tenant and co-location office facilities).

#### 4.1.2 Event / Exhibition Space / Meeting

The strategic focus of this program space will be to support the larger agenda as an “innovation centre” focused on sustainability and cities, but also operate as a revenue driver with a comprehensive third party event rental revenue program. This will include thematically aligned conferences focused on a range of innovation ideas, special workshops, large scale exhibitions, community events, product launches, public meetings, and private programs as per The Ferry Building, the Distillery District, Evergreen Brick Works, etc. To support this program the interior spaces will need to be developed with access and circulation strategies, as well as washrooms, catering kitchens, and event facilities to support up to 1500 people. To further accent the space, we suggest working with artists to create exhibits for the interior and exterior of the building – focused on the theme of the past, present, and future. The unique quality of the interior and exterior spaces, combined with its location in the City will offer something special for Edmonton that does not currently exist. The planning and delivery of events, shows and conferences will be undertaken to advance the project’s sustainability framework. This includes using locally grown and sustainably sourced foods when available and planning events to be low- impact (i.e. minimal waste produced and use energy efficient event lighting systems).

- Revenue target of \$1 million gross annually. (\$ per use rates - floor area of the Turbine Hall (18,000 sq ft), and portions of the larger, grittier ground floor of the Boiler Hall (24,600 sq ft) for a total of 25,000 sq ft. Seasonal use of exterior spaces.



TURBINE HALL



GENERATING STATION

NYC – HIGHLINE, CHELSEA MARKET BUILDING, AND STARRETT-LEHIGH CENTRE FOR SOCIAL INNOVATION; VANCOUVER – GRANVILLE ISLAND AND THE HIVE, SAN FRANCISCO – FERRY BUILDING, PRESIDIO TRUST; TORONTO – MARS, BRICK WORKS, 401 RICHMOND, 215 SPADINA, AND DISTILLERY DISTRICT; MONTREAL – ATWATER MARKET, OLD PORT, AND BENNY FARMS; LONDON ENGLAND – TATE MODERN AND BATTERSEA POWER STATION; CORNWALL ENGLAND – THE EDEN PROJECT; AUSTIN TEXAS – LADY BIRD JOHNSON WILDFLOWER CENTER, ETC.).

#### 4.1.3 Community / Commercial / Amenity Space

The strategic focus of this program space will be to support the larger agenda as an “innovation centre” and a revenue driver for the site. This will include: a specialty food retailer, a restaurant, gallery space, health/ fitness facilities, craft brewer, and artisan manufacturers, as per Chelsea Market Building, and The Ferry Building. As an amenity for the neighbourhood, and a venue for innovators and regional artisans the site will also serve a practical role in the immediate community and a regional tourism agenda. Many of these uses can easily integrate into the feature spaces on the water such as the Pump House, as well as the ground floor and building basement. Key to the selection of tenants will be the extent to which their businesses are driven by sustainability principles and practices.

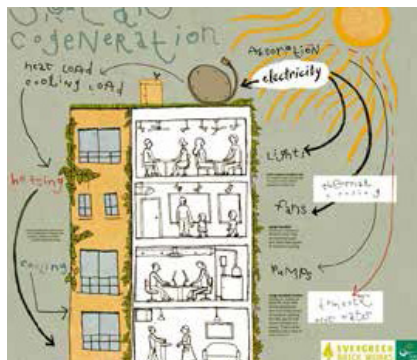
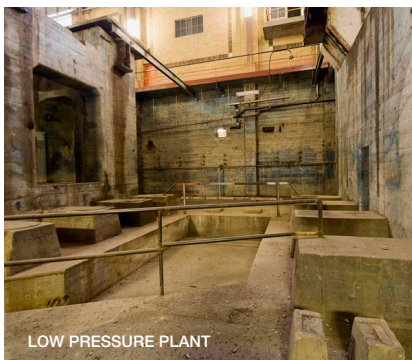
- Revenue target of \$1 million annually. (\$35 psf x 30,000 -- use of the Pump House, portions of the Switch house, Boiler Hall and Turbine Hall ground floor and basement for a total of 20,000 – 40,000 sq ft.).

In combination with the three core program themes noted above, a series of community programs will be developed as well – such as market gardens, kids programs and outdoor spaces for discovery and learning about local ecology, heritage, art and culture. This range of programming can be integrated into the three core themes but they will also need to be actively managed. On-site volunteer activities, kid’s camps, and family programs can be developed over time but will have to express themselves in the first phase to ensure community engagement and trust is real from the start.

The value of the three core program themes (and the community programs) is that necessary capital plan/ space plan can be designed to serve multiple purposes – uses can be demand driven (i.e.. event space can be used as gallery space or periodically as retail space, meeting space can support the office use and event use), and all of this can be coordinated by a central management team. Flexibility in the design and management of the program and physical space is essential to success.

From the Evergreen project experience, the most successful projects offer a values based program for the larger community and are led by not-for-profit organizations offering a combination of community programs, complemented by progressive revenue generating activities often referred to as social enterprise. More specifically, the best projects are led by organizations with a great understanding of the local context, a strong and influential network of support, a management team capable of balancing community needs with financial discipline, and the ability to build a productive working relationship with government and the local community. In this case, the program plan is organized with a triple bottom line – generating a social, environmental and economic return on investment. A series of performance objectives and a governing values charter for tenants and partners in the project are recommended.

A phased program strategy will be necessary to ensure success. We are proposing a phased strategy that will involve the roll out of the program plan, the capital plan, operating plan and governance plan. With respect to the phased program plan please see preliminary phasing strategy in the chart below (Appendix 1).





## 4.2 Capital Retrofit Opportunities

The “social enterprise” program plan proposed will not be able to finance the necessary capital investment in the building. The scale and format of the building, combined with heritage issues and requirements for community space make it impossible to finance the capital and operating costs with conventional private sector strategies. With this in mind, a third party source of funding will be required. There is no clear plan at this stage for what the program spaces will cost to properly fit out, but the \$66,444,000 referenced in the Preliminary Building Assessment February 2011 is a best guess at this point. The City of Edmonton or some combination of partners will have to make this investment in the property to enable the recommended program.

## 4.3 Operating Budget Opportunities

The recommended “social enterprise” program plan suggests that the site operating costs, as well as basic site program cost can be paid for through site based revenues. The addition of revenues from corporate sponsorships, donations and grants will likely enable a broad base of community programming. As it stands, earned income on site will generate approximately \$3.5 million annually. Operating costs for the site will be approximately \$2.75 million annually, leaving \$750k to support on site programming and/or debt financing for certain capital investments. It is our opinion that further revenues (\$1m-\$3m annually) can be realized in the form of sponsorships, donations, and grants for project specific deliverables if a not-for-profit charitable organization is governing the site.

## 4.4 Governance Alternatives

This section outlines and evaluates alternative governance models for developing and operating the Rossdale Generating Station and makes a recommendation for the preferred solution. The review considers the necessary program plan and the economics of the building – given the fact that the recommended governance solution should be designed to enable the programming plan.

Governance model alternatives identified:

- City retains ownership, develops and operates the site and all programming.
- City leases or sells the property to the private, for-profit corporation.
- City leases or sells the property to the private, charitable not-for-profit corporation (either creates a new corporation or transfers to an existing).

The recommendation for the governance of the Rossdale Generating Station is a charitable not for profit corporation (federally registered with Canada Revenue Agency and Provincially with the Alberta Gaming and Liquor Commission and the Charitable Fund-raising Act). The specific details of the legal structure are not part of the scope of this report.





#### 4.4.1 Option 1. City retains ownership of the lands and buildings and directly operates the facility.

- City assumes responsibility for governance of property development, programming and site operations.
- City refines the program and pilots early activities. Responsible for ongoing site programming, and animation.
- City becomes the landlord establishing leases, collecting rents, ensuring compliance with terms and property management.
- City staff would delivering it directly or in partnership with third parties whose programs align with the site vision and mission.
- City would be delivered through an existing City department or newly created agency. City would be responsible for all costs.

It is our opinion that the City of Edmonton (or any government for that matter) lacks the skills and experience required to operate a facility of this type and is not well suited to the innovation agenda, or the culture of social entrepreneurship required. The City is not nimble enough and a project of this sort will require quick decision making, and perseverance. The City will have to assume full responsibility for the finance risk and responsibility for all aspects of the project. The City will be encumbered with the requirement of transparency, equity and accountability to the tax payers. City management is vulnerable to political interference and their decisions being influenced by external lobbying. Furthermore, the City is not well positioned to attract private donations/ financial contributions to help with capital costs or attract operating funds for program activities, such as corporate sponsors, grants, private donations and volunteer time.

#### 4.4.2 Option 2. City leases or sells the property to the private, for-profit corporation.

- City organizes a process to either lease or sell the property on a long term basis to a private for-profit corporation. Leasing arrangement is recommended over outright sale of lands and buildings to guarantee their long-term protection.
- City constructs a series of conditions in the sale or lease to govern the programming and community access to the site.
- City can regulate the use of land and buildings through zoning and possible easements on title.
- Private owner would pay the City nominal sale price, or nominal rent (\$1) as well as a possible performance fee. (Example Atlanta Zoo was restructured from a City owned asset to full private ownership. Does not receive any municipal funding).

It is our opinion that a private for-profit corporation will have difficulty managing the “public good” agenda given the tight financial constraints and ongoing risks associated with such a politically charged heritage building in the middle of the city. A for profit company will have the nimbleness and creative entrepreneurial culture to manage the site successfully and evolve its use over time. A for profit will also have access to creative problem solving and venture financing that is not available for governments. On the surface, the up side is that the City will transfer the risk to a third party private operator to manage, but in reality, any failure will remain with the City. Furthermore, too much success from a private for-profit interest is also a risk for the City (after investing millions in the site). For a variety of reasons, the City is unlikely to realize any meaningful revenue from the lease or sale of the property to a for-profit corporation.



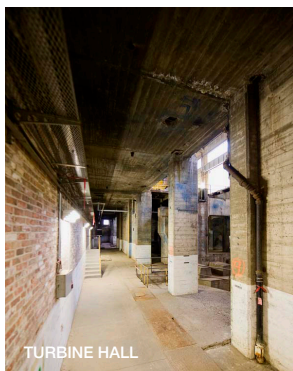
BOILER HALL

THE ROSSDALE GENERATING STATION COULD BE A HUB VENUE FOR THE RECENTLY ANNOUNCED PROVINCIAL PLAN FOR THE \$1 BILLION SOCIAL INNOVATION ENDOWMENT FUND (TO PAY OUT UP TO \$22.5 MILLION IN 2015, INCREASING TO \$45 MILLION THE FOLLOWING YEAR) FOR SOCIAL AND CULTURAL INNOVATION, AND AGRICULTURAL INNOVATION. CANADA'S 150 SESQUICENTENNIAL IN 2017 IS ANOTHER MOMENT TO LEVERAGE, AND ENGAGE SENIOR LEVELS OF GOVERNMENT.



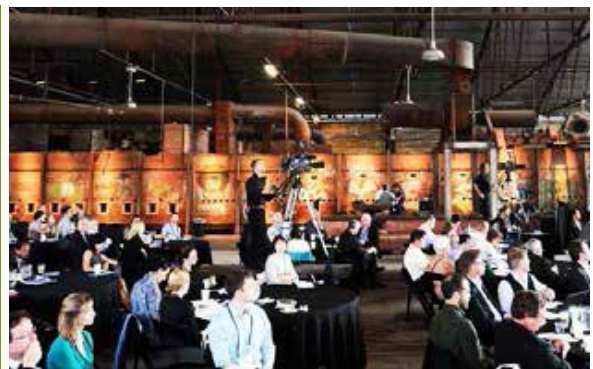
#### 4.4.3 Option 3. City leases or sells the property to the private, not-for-profit corporation (charitable).

- City organizes a process to either sell or lease the property on a long term basis to a private charitable not-for-profit NFP corporation. Regarding lease or sale, in some respects it does not matter, but we recommend a long term lease. The legal implications of each must be considered carefully.
  - Sale arrangement will permit the NFP to mortgage the property to help finance improvements and ongoing cash flow management challenges as long as conditions of the sale are not too restrictive to the needs of a commercial lending agreement. The heritage designation of the building and any easements on the property could make a sale of the property very complex. The role of the City to steward the site as a heritage/ community asset for the City might also complicate the sale of the property.
  - The leasing arrangement gives the City more control over the property but will require the City to guarantee NFP capital financing needs because leasehold improvements will be owned by the City and the NFP lessee will not be able to mortgage/ borrow against something it does not own. The lease terms can incorporate all sorts of conditions, risk mitigation strategies, indemnification clauses and performance requirements.
- City leases the property to an existing NFP or develops a process to create a new NFP corporation.
  - Existing NFP – the City conducts a request for proposals across Canada with explicit reference to capital, program and community expectations for the site as well as details on expected phasing, and the level of support that can be expected from the City of Edmonton (and other levels of government). The existing NFP could be asked to suggest a preference between sale or lease arrangement.
  - New NFP – the City decides to “purpose build” a NFP to take responsibility for the development and operations of the site within the context of a lease arrangement.
- City organizes a process to either lease or sell the property on a long term basis to a private not-for-profit corporation. Leasing arrangement is recommended over outright sale of lands and buildings to guarantee their long-term protection.
- City constructs a series of conditions in the lease to govern programming, community access and risk management.
- Private NFP would pay the City nominal sale price, or nominal rent and in exchange deliver a public service, public good, and act as an agent of the City.
- NFP would be a legally independent entity, however City would participate in governance with one or two positions on a small Board of Directors.
- Board of Directors would be responsible for establishing the determining strategic direction within the agreed terms and conditions of the lease. The NFP would be free to manage and develop strategies, policies and programs, within the context of its finances and operational limits.
- If the NFP begins to generate surplus revenues, the municipal operating subsidy could be decreased along with the number of City appointed BOD members.
- City appointees could be elected Councilors and/or senior staff who would act in a liaison capacity and ensure the City’s interests are represented.



TURBINE HALL

A SOCIAL ENTERPRISE IS AN ORGANIZATION THAT APPLIES COMMERCIAL STRATEGIES TO MAXIMIZE IMPROVEMENTS IN HUMAN AND ENVIRONMENTAL WELL-BEING, RATHER THAN MAXIMIZING PROFITS FOR EXTERNAL SHAREHOLDERS. SOCIAL ENTERPRISES CAN BE STRUCTURED AS A FOR-PROFIT OR NON-PROFIT, AND MAY TAKE THE FORM OF A CO-OPERATIVE, MUTUAL ORGANIZATION, A SOCIAL BUSINESS, OR A CHARITY ORGANIZATION.



In this scenario, the City retains arm's length control without the burden of ongoing management. Not for profit corporations and charities enjoy a preferred position in the eyes of the general public with regards to trust and are able to attract donations from the private sector and offer charitable tax receipts in exchange. With regards to management, the NFP can hire necessary skills, and is sufficiently independent to act as a social enterprise. A comparative evaluation of the three alternatives is summarized in Appendix 2.

It is our view that "if" the project is positioned well, the case for support is made compelling, and the leadership of the NFP is well networked -- the managing NFP should be able to raise \$5m - \$10m in a capital campaign to support building and site improvements, and a further \$1-\$3 million each year in sponsorships, grants and donations. This will require investment in building a fundraising department and a coherent strategy over a 2-5 year period.

From our perspective the best governance model will involve the City leasing (or selling) the property to the private, charitable not-for-profit corporation. The phased process for transferring the site to the right partner will take 2-3 years and the City will be expected to invest in both the building and base level programs to support the start-up effort.

Prepare a phased development strategy for the building, over a 7-10 year period to support the program plan, capital plan, operating plan and governance plan.

#### 4.5 Recommended Approach to Generating Station Governance

The recommendation for the governance of the Rosedale Generating Station is a charitable not for profit corporation (federally registered with Canada Revenue Agency and Provincially with the Alberta Gaming and Liquor Commission and the Charitable Fund-raising Act). The specific details of the legal structure are not part of the scope of this report.

#### 4.6 Role of MDC in Generating Station Re-Purposing

The Generating Station is expected to require stabilization, remediation, servicing, building envelope improvements, and structural upgrades. In addition, a conceptual plan and program will be needed before the building can be re-purposed and transformed into a new place-making community facility. Following this, it will need to be operating and managed for the long term.

The MDC will only be in place for a limited time frame. Once the neighbourhood development is complete, the City may want to extinguish the development corporation. Therefore, the City may need a separate entity in the long term for the governance and operation of the Generating Station. In addition, the MDC will be structured with an emphasis on land development, not on facility operations and management.

The recommendation for the Generating Station is that it be managed and operated by a separate non-profit that is responsible for conceptual planning, programming, fund raising, tenant recruitment, operations and management of the facility over the long term. We see three possibilities that could be considered for the MDC in the re-purposing of the Generating Station:

- The City could complete any upfront remediation, stabilization, servicing and building upgrades that are required and then turn the Generating Station building over to the non-profit for the long term operations and management. The non-profit would report directly to the City. In this case, the MDC would not have any role in the re-purposing of the Generating Station.

- The MDC's mandate could include the creation and governance of the non-profit as well as its role as the neighbourhood land developer. In this case, the MDC would complete any upfront remediation, stabilization, servicing and building upgrades that are required and then turn the Generating Station building over to the non-profit for long term operations and management. The non-profit would report to the MDC. The MDC will be structured with an emphasis on land development, not on the operations and management of a community facility, so this option may not be an ideal fit for the MDC. In addition, when the land development is completed, the City might want to extinguish the development corporation. The City would then need a separate entity for governance and operation of the Generating Station which would (in the long term) report directly to Council.

One advantage of this approach is that Council would only need to deal with the MDC in the short term, not the MDC and the non-profit. In addition, this approach would link the MDC and the non-profit, potentially increasing the co-operation and planning between the two entities.

- The City could direct the MDC to complete any upfront remediation, stabilization, servicing and building upgrades that are required and then turn the Generating Station building over to the non-profit for the long term governance, operations and management. In this case, the MDC's role would be limited to the construction related tasks that are required as a first step in the re-purposing of the Generating Station. This would fit with the MDC's emphasis on land development, rather than community facility operations and management, and with the potential need to extinguish the MDC in the long term. However, the non-profit would report directly to the City so Council would deal with the MDC and the non-profit.
- We recommend Option 3 as it will allow the MDC to focus solely on the tasks and activities that will match the skills and experience of its Board and staff.







NORTH SASKATCHEWAN RIVER



VIEW OF GENERATING STATION SITE



VIEW OF WEST ROSSDALE FROM THE EAST

# 5.0

RECOMMENDATIONS

## 5.0 RECOMMENDATIONS

Our recommendations for the West Rosssdale – City Initiative are summarized in three sections:

- Overall recommendations common to West Rosssdale neighbourhood development and repurposing of the Generating Station.
- Recommendations specific to the West Rosssdale neighbourhood development.
- Recommendations specific to the repurposing of Generating Station.

### Overall

- Proceed with any required First Nations consultation and Historic Resources Clearance as quickly as possible to help remove any uncertainty about the overall development potential of the City-owned land. Ideally, this would be completed upfront for all City-owned land in the area prior to any investment into new infrastructure and public realm improvements.
- Proceed with detailed planning for the river front promenade expeditiously. Funding for this project is available from other levels of government if completed by the end of 2016. Therefore, the City should quickly establish a team that is tasked with the planning, design and implementation of this project. This team should be responsible for overseeing the design and planning of the promenade to maximize the benefits to the neighbourhood redevelopment as well as the Generating Station.
- Proceed with detailed planning for the mechanized access connection to Downtown expeditiously. Funding for this project is available from other parties if completed by the end of 2016. Therefore, the City should immediately establish a team that is tasked with overseeing the planning, design and implementation of this project. This team should ensure that these projects maximize the benefits to the neighbourhood redevelopment and the Generating Station. This may require input from outside design and development consultants during the planning and design process. Alternatively, if a municipal development corporation (MDC) can be established quickly, it could manage the planning, design and construction of this project.

### West Rosssdale Neighbourhood Development

- Consider establishing a wholly-owned Municipal Development Corporation that would be responsible for the redevelopment of the West Rosssdale neighbourhood. If this is not feasible, the City should act as the land developer. Creation of an MDC will require Provincial approval. Once the neighbourhood development is complete, the City may want to extinguish the Development Corporation.
- Make changes to the development plan and zoning for West Rosssdale so that the land development is profitable and can generate revenue to help fund other important planning initiatives (such as repurposing the Generating Station). Options to consider could include:
- Modifying the zoning so that the achievable yield matches the permitted units per hectare regulations in the zoning (which would be consistent with the ARP and UDP).
- Introducing a mechanism requiring the private land owners to contribute to the required road and infrastructure upgrades in the neighbourhood when the private lands are developed.
- Modifying the existing zoning to eliminate the public art and affordable housing requirements.
- Reducing the planned West Rosssdale park size to increase developable City-owned land. The latest road plan creates this opportunity.
- Including Telus Field as a development site. No decision has been made on the future of Telus Field. Including this site within the neighbourhood redevelopment would require a detailed evaluation by the City on the future of Telus Field and all related costs.
- Increasing permitted height and density beyond the heights and densities identified in the ARP and UDP (at least for part of the neighbourhood).
- Allocating a higher share of the arterial road costs to the broader community, particularly given that part of the arterial road costs are for upgrades beyond the boundary of the City-owned lands in the neighbourhood.
- Reducing public realm costs.

To achieve a profit on the land development, most of these changes would need to be considered. However, it should be noted that these options are provided for illustrative purposes only. If the City is interested in pursuing any of these scenarios, more detailed analysis would need to be completed.

Some of these options involve changes to zoning and statutory plans. These changes would require a Public Hearing and Council approval. Any significant changes to the neighbourhood development plan should also include a comprehensive public consultation process and consultation with First Nations.

### Repurposing of the Generating Station

- The “best fit” context specific governance model for the development and management of the Rosedale Generating Station is to lease (or sell) the property to a private, charitable, not-for-profit corporation – existing or purpose built for this facility.
- The MDC could be responsible for site improvements, servicing and base building improvements at the Generating Station. Subsequently, it would be turned over to the Not For Profit.
- Undertake careful search for an existing not-for-profit agent that might be interested in leading the proposed program through an RFP process led by the City of Edmonton
- Develop of a business plan (including market testing) together with the design and concept planning for the building.
- Develop the case for support of the proposed program with the intent of conducting a feasibility study to evaluate market interest to support the financing of the capital work through government grants and charitable donations.
- Prepare a plan to re-purpose the building as a gateway/ catalyst project for Edmonton and a centre for creative, social and economic innovation - a mixed use program, managed as a social enterprise.
- Organize the program plan with a triple bottom line – generating a social, environmental and economic return on investment. With the following core program elements:
  - Incubation/ Acceleration/ Co-location / Office space – approx. 60,000+ sq ft
  - Event/ Exhibition / Meeting space – approx. 25,000+ sq ft
  - Community/ Commercial / Amenity space – approx. 30,000 – 50,000 sq ft.
- Ongoing operations are to be sustained through site based revenues and the addition of revenues from corporate sponsorships, donations and grants will enable a broad base of community programming.
- Immediate development of the following projects and that these projects consider their role in supporting and enabling the proposed program plan for a mixed use social enterprise at the Generating Station.
  - Generating Station Buildings Stabilization (\$3.4 million).
  - Touch the Water Promenade (\$10 million)
  - Mechanized Access (\$24 million)
- We recommend the development of concept plans for the interior design of the building to support the proposed program plan.
- Recognize that the capital investments in the building will have to be made by a combination of government grants and private charitable donations.
- Prepare a phased development strategy for the building, over a 7-10 year period to support the program plan, capital plan, operating plan and governance plan.



## APPENDIX A: PHASING OVERVIEW

	Phase 1 (2014-2017) Planning and Preliminary Construction	Phase 2 (2018-2021) Full Construction	Phase 3 (2022-2024) Completion
Capital Expenditures	<p>Moderate: Lighting of the exterior of the buildings, art installations, community/family gardens, signage, interpretations,</p> <p>Design, build process for “Touch the Water” and “Mechanized Access” should begin immediately.</p> <p>Capital improvements (total \$3.4 million) to the roof system should be made immediately.</p> <p>Archaeological and other site assessments undertaken</p>	High: Building renovation and fit-out of program spaces	Moderate: Nominal as construction nears completion
Operating Revenues	Nominal revenues but likely start-up costs of \$200,000 - 300,000 in the first 2-3 years.	Nominal during construction—some revenues earned from rentable spaces	<p>High</p> <p>Revenues maximized as programmed spaces leased to tenants and 3<sup>rd</sup> party events</p> <p>Anticipated annual revenues \$3.5M annually</p> <p>Operating costs \$2.75M annually</p> <p>\$750K surplus to support on-site programs or debt financing</p>
Program Development (General)	<p>Develop initial, phased business plan to help guide the arrangement with a NFP partner, and to help structure the design plans for the interior spaces, as well as the key terms and conditions of a lease arrangement.</p> <p>Develop program sustainability and values charter</p> <p>Branding and core narrative to interpret the project.</p>	<p>Pilot project concepts in available spaces during construction</p> <p>Undertake financial review of phase 1</p> <p>Market usable spaces while capital improvements underway</p>	<p>Undertake financial review of phase 3</p> <p>Program revenue continue to increase as capital improvements are completed</p> <p>Continue to build programs and grow revenue as capital improvements near completion</p> <p>Non-profit corp. delegated full authority to operate site</p> <p>City reps participate on BOD</p> <p>Undertake financial review of phase 3</p> <p>Develop overarching marketing materials</p>

	Phase 1 (2014-2017) Planning and Preliminary Construction	Phase 2 (2018-2021) Full Construction	Phase 3 (2022-2024) Completion
Programming  Incubation Space)	Develop specific marketing collateral to promote facility  Develop layout for pods and Meeting spaces  Seek tenants potential  Develop evaluation plan	Pilot space with tenants  Monitor tenant relations/feedback and make necessary program/design changes  Sign tenant leases	Incubation Office Space  Market vacant spaces  Undertake assessment of tenant satisfaction  Incubation Office Space  Evaluate outcomes of co-working space  Continue to evaluate co-location outcomes (eg. # of successful start-ups incubated)  Continue to fit-out spaces
Event/  Exhibition Space	Hire events manager  Develop marketing materials  Seek tenants	Rent our available space as capital improvements continue  Pilot facility with a variety of 3 <sup>rd</sup> party events  Develop interpretive strategy for exhibits and displays	Implement full program of large scale exhibits, traveling art shows or other
Community/  Commercial Amenity Space	Pilot selected program concepts and seek partners such as: children's gardens, community gardens, interactive spaces, art installations, tours and signage.	Fit out spaces  Scale up successful community programs as capital improvements proceed - farmers market/food hub, camps, school program	Implement full roster of community programs

	Phase 1 (2014-2017) Planning and Preliminary Construction	Phase 2 (2018-2021) Full Construction	Phase 3 (2022-2024) Completion
Governance	<p>City Operates the site for first 2-5 years but initiates one of two processes.</p> <p><b>a) Delegate to Existing NFP:</b></p> <p>RFP developed and circulated with focus on: Vision, Proposed business model and program strategy, Statement of qualifications, Land tenure preference and rationale (eg long-term lease from City or outright purchase)</p> <p>Select qualified NFP</p> <p><b>b) Establish a new NFP corporation</b></p> <p>Establish terms of reference, by-laws, corporate objects.</p> <p>Incorporate and obtain charitable status</p> <p>Appoint CEO or first 3 BOD's</p> <p>CEO and BOD will then select BOD members and hire core staff</p> <p><b>c) Other:</b></p> <p>Develop transitional strategy from City management to NFP management</p> <p>Develop lease arrangement including revenue model, management and reporting systems, governance, program plan and obligations, risks and liability assigned to each party</p> <p>Implement management and reporting systems</p>	<p>City continues manage the site</p> <p>Transitional strategy implemented</p> <p>Hire CEO, incorporate non-profit corp, develop by-laws etc.</p> <p>Financial goals and performance metrics established</p>	<p>NFP established</p> <p>NFP enters lease agreement with City and assume full authority to operate site</p> <p>City reps participate on BOD</p>

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## APPENDIX B: EVALUATION OF ALTERNATIVE MODELS

L- Low; M=Med, H= High

	City Owned	Private Ownership	Non-Profit Corporation
Ability to achieve urban design excellence and vision	(M) decisions making process might be slow and potential for political interference	(M) heritage program and vision will be compromised by profit motive	(H) Arm's length independence supports excellence through mandate.
Ability to bring needed expertise	(M) City (and other govs) may lack the expertise to operate such a facility.  Not well suited to culture of entrepreneurship and innovation agenda	(H) Owner selected based on expertise and experience	(H) Board and staff selected based expertise and experience
Financial return to City	(M) Risky due to lack of experience operating this type of facility;  Return may be limited by obligation to use unionized workers; if successful all profits flow to City  City not well positioned to attract donations or sponsorship to raise funds	(L) private owner retains profits, only rent flows to City; greater incentive to minimize costs than City;  Private operator cannot raise funds from donations or sponsorship; however can raise private equity	(H) NFP structured to generate max while achieving social mission; May be obliged to use unionized workers  Can raise funds through donations and sponsorship; can run major capital campaign and issue tax receipts
Financial risk to City	(H) City assumes full risk of all aspects of the project  All revenue goes to City but may be limited by City's lack of expertise in operating such as facility	(M) Private owner burdens risk.  In event of failure project and outstanding liabilities will revert back to the City  If venture is successful City at risk for criticism for subsidizing a for-profit enterprise after investing millions of tax-payer dollars	(M) NFP Carries the risk; however City will assume if NFP fails; risk can be minimized by requiring the establishment of a cash reserve.

	City Owned	Private Ownership	Non-Profit Corporation
Load on City resources	(H) City fully responsible for development and operations;  Mayor and Council involved in making commercial decisions; can become targets of lobbying and protests;	(L) Load borne by owner	(M) Load borne by NFP -- City participates on BOD and supports programs  City retains arm's length control without full burden of governing and operating the site
Accountability to City and community	(M) City fully accountable but opportunity for political interference	(L) City relinquishes accountability	(H) Accountability maintained through City appointees and establishment of good reporting/ feedback systems
Public participation	(H) City can determine level of participation in site development and programs	(L) Development and planning will be done in isolation of the community.	(H) Public participation incorporated into mandate  Offers wide range of participatory opportunities from BOD membership (as citizens-at-large) to hands on project engagement
Advances Public Good	(H) City retains complete control over tenant mix and program	(L) Not well suited -- Priority on profit over public good; market demand trumps social mission	(H) Advancing public good incorporated into mandate
Efficiency of Decision Making	(L) D-M process encumbered by need for transparency, equity and accountability (eg. evicting a tenant becomes a political issue)	(H) less accountability = faster decisions; private sector can respond quickly to management issues	(H) Staff makes decisions but accountable to BOD
Response to community concerns	(H) Places staff and Council on front-lines	(L) Less accountable than City or NFP	(H) Structured to be responsive (eg. community liaison committee)

