

# Recommended themes for an updated Policy C511 - Executive Summary

City of Edmonton

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# Recommended themes for an updated Policy C511

## Objective and methodology

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### Objective

- ▶ Ernst & Young LLP (“EY”) was engaged by the City of Edmonton (the “City”) to prepare a report recommending potential themes for an updated Policy C511 (Land Development Policy) to reflect the current state of City Council priorities and the economic reality of land development within the City over the short and long term.
- ▶ *The focus of our analysis is around potential themes for an updated policy that would be applicable to the existing land inventory held by ELD. Our work does not consider other City land holdings not currently held by ELD.*

### Methodology

- ▶ Our methodology included:
  - ▶ **Phase 1: Research**
    - ▶ Reviewing the City’s current goals, policies and priorities to identify any relevant themes for ELD’s operations.
    - ▶ Completing a review of relevant public sector development groups (both internal and arm’s length corporations) from across the Country to identify areas of best practices that could be leveraged in Edmonton.
    - ▶ Interviewing a diverse mix of private sector participants in the Edmonton real estate market to collect their insights on how ELD could operate in the future.
    - ▶ Completed a high level review of the industrial and residential land development markets to understand how ELD’s projects were positioned relative to the market.
  - ▶ **Phase 2: Development and refinement of recommendations**
    - ▶ Developed initial recommendations on potential policy themes for the new Policy C511 by leveraging insights from ELD staff, private sector interview participants.
    - ▶ Presented initial recommendations to the Real Estate Advisory Committee (“REAC”) and solicited feedback from private sector participants and internal stakeholders.
    - ▶ Drafted revised policy theme recommendations after considering all feedback.

# Recommended themes for an updated Policy C511

## Things to consider

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- ▶ We have grouped the recommended policy themes into the following buckets:
  - ▶ Mandate
  - ▶ Governance
  - ▶ Climate resilience
  - ▶ General development
  - ▶ Residential development, including affordable housing
  - ▶ Industrial development
- ▶ Under each bucket we have provided
  - ▶ Background on the relevant parts of the current policy
  - ▶ Rationale for change
  - ▶ Potential future policy themes
  - ▶ Potential changes to administrative procedure to support policy
- ▶ Some of the recommendations we have heard and believe to be valuable will not actually form part of the policy but instead may be part of a future administrative procedure. For clarity, the policy is what ELD should do and the administrative procedure should outline how ELD achieves the policy.

## Mandate

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### Current policy

- ▶ *Administration will maintain an inventory of residential and industrial development land sufficient to enable the City to maintain existing revenues from its development activities over a ten-year Forecast period (the Long Range Financial Plan).*
- ▶ *The Land Enterprise will be operated as a self-sustaining Enterprise.*
- ▶ *Land development activities carried out by Administration (acquisition, servicing, marketing, and disposal) will be based primarily upon financial return on investment.*
- ▶ *Strategic advantages to the City will be considered when acquiring and servicing land (i.e. optimizing use of existing infrastructure, facilitating Corporate initiatives, aiding orderly development, completing neighbourhoods, securing land for long term potential civic need, and adding value to existing City land holdings).*

### Rationale for change

- ▶ Lack of general clarity in current policy has created some confusion as to ELD's actual mandate.
- ▶ Future state needs to consider more than just financial objectives and incorporate support for ConnectEdmonton.
- ▶ Increased clarity is needed regarding the need for ELD to be financially self sustaining.

### Potential future policy themes

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
  - ▶ Financial related
    - ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
    - ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
  - ▶ Non-Financial related
    - ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.

## Governance

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### Current policy

- ▶ *Outcomes of the Land Development Policy will be reported annually through the budget process.*

### Rationale for change

- ▶ Historically there had been insufficient transparency. ELD's financials were reported alongside the surplus land sales and there was limited public information. The transparency has improved recently but needs to be formalized in the policy.
- ▶ Ensuring that the right level of transparency and reporting exists, should help to mitigate risks, allow for public scrutiny and support ELD's future success.
- ▶ Need to consider the fact that the policy will likely need to change in the future to adjust to civic priorities.

### Potential future policy themes

- ▶ ELD to operate in a transparent manner.
  - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
  - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.

### Potential changes to administrative procedure to support policy

- ▶ ELD to work with REAC to determine industry accepted performance metrics
- ▶ ELD should be required to report internally.
  - ▶ ELD to generate annual business plan detailing strategy for approval by senior leadership.
  - ▶ ELD will report up to branch leadership on a quarterly basis and this will include a status update on its projects.

# Recommended themes for an updated Policy C511

## Climate resilience

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### Current policy

- ▶ *No formal wording related to climate resilience or environmental sustainability exists.*

### Rationale for change

- ▶ Climate resilience is one of Council's strategic priorities and ELD's activities to support this and other city-wide environmental strategies needs to be formalized.
- ▶ Policy needs to have sufficient flexibility given constant evolution in environmental standards and a need to make appropriate decisions on a project by project basis.
- ▶ Policy needs to ensure that requirements are also financially feasible.

### Potential future policy themes

- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.

### Potential changes to administrative procedure to support policy

- ▶ TBD, pending Council's direction on ELD's development of it's existing holdings.
- ▶ Annual reporting should include commentary on the strategy behind the sustainable features at each project.

# Recommended themes for an updated Policy C511

## General development

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### Current policy

- ▶ *Land development activities carried out by Administration (acquisition, servicing, marketing, and disposal) will be based primarily upon financial return on investment.*

### Rationale for change

- ▶ Policy should be more explicit in terms of what ELD is permitted to do
- ▶ There should also be an additional requirement for a business case to be required prior to advancing to development to ensure that projects are financially feasible and how other City goals are being achieved but this more likely forms part of an administrative procedure.

### Potential future policy themes

- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.

### Potential changes to administrative procedure to support policy

- ▶ ELD to prepare business case for each potential development to be reviewed and approved by branch level leadership prior to moving to the development stage.

# Recommended themes for an updated Policy C511

## Residential development

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### Current policy

- ▶ *The primary target of residential lot development is intended for affordable housing (target market to reflect lot prices that are 10% or more below the average city of Edmonton lot prices as determined by CMHC statistics).*
- ▶ *The City's development of residential lots will not exceed 10% of the total single family residential lot development in the Edmonton region.*
- ▶ *A minimum of 50% of all Single Detached Residential Lots developed by the City be made available for sale to individuals and small builders.*

### Rationale for change

- ▶ The requirement for lots to be intended for affordable housing and target of prices to be 10% or more below the average City of Edmonton lot price has caused confusion and is not considered an appropriate metric. The City cannot sell land at a discount to market value as per the Municipal Government Act. ELD should look to support affordable housing programs in a more meaningful way that is appropriate for the suburban locations.
- ▶ The quota for single family lot development is no longer considered appropriate given the current holdings and that there is no intent to acquire significant future greenfield residential holdings.
- ▶ The minimum 50% level of lots to be made available to individuals and small builders is not considered necessary within a Policy as ELD can still choose to sell to individuals and small builders. Removing this requirement will allow ELD to respond to market conditions if required.

### Potential future policy themes

- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.

### Potential changes to administrative procedure to support policy

- ▶ TBD, pending Council's direction on ELD's development of its existing holdings.



## Industrial development

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### Current policy

- ▶ *The development of industrial land will be carried out in accordance with the objectives of the Industrial Land Strategy, and in particular on the basis of ensuring a three year supply of serviced industrial land.*

### Rationale for change

- ▶ The current policy is hard to interpret in terms of what is meant by the “three year supply of serviced industrial land” and the City’s role versus the private sector’s role.
- ▶ The City’s share of the industrial market is small and is not considered to have any ability to control the overall supply of serviced industrial land.
- ▶ The City has repealed the Industrial Land Strategy and as such the policy is no longer relevant.
- ▶ Feedback from the private sector suggests that the City could add the most benefit by assisting with up front costs and infrastructure challenges.

### Potential future policy themes

- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

### Potential changes to administrative procedure to support policy

- ▶ TBD

# Recommended themes for an updated Policy C511

## Summary of recommended policy themes

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### Recommended policy themes

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
  - ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
  - ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
  - ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.
- ▶ ELD to operate in a transparent manner.
  - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
  - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.
- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.
- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.
- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.
- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

# Recommended themes for an updated Policy C511

## How policy themes support City's strategic goals

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The recommended policy themes that are relevant to ConnectEdmonton, the City's strategic plan, are shown below:

### Overall

- ▶ ELD to manage current holdings in a fiscally responsible manner, while supporting ConnectEdmonton.
- ▶ ELD to make best efforts to align strategy to Corporate Business Plan, City Plan and ConnectEdmonton: Edmonton's Strategic Plan 2019-2028.

### Healthy city

- ▶ ELD to work with City's Housing and Homelessness Section to determine how to best support affordable housing initiatives in future projects. This may include the provision of building lots at a discount to qualified affordable housing providers (subject to affordable housing agreement on title) or an allocation of profits to certain affordable housing programs.

### Urban places

- ▶ N/A due to suburban nature of ELD's current land holdings.

### Regional prosperity

- ▶ Industrial land acquisitions and development should support front-ending infrastructure costs or assist in opening up development to strategic areas. Revenue from development of existing holdings should assist in opening up development to strategic areas.

### Climate resilience

- ▶ ELD should work on an ongoing basis with the City's Environmental Strategies group and REAC to determine commercially responsible sustainable features that could be incorporated into projects.

# Recommended themes for an updated Policy C511

## How policy themes support ELD to continue to generate benefits to the City

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A number of the policy themes cannot be directly tied to Edmonton's strategic plan but do support the objective supporting ELD to continue to generate benefits to the City. These include:

- ▶ ELD will be operated as a self-sustaining Enterprise meaning all project and operational costs will be funded entirely through ELD sales revenue and retained earnings.
- ▶ Municipal taxes will not be used to fund any of ELD's project costs or operations.
- ▶ ELD to operate in a transparent manner.
  - ▶ ELD will present an annual public report to City Council detailing its activities and provide a summary of financials and key performance metrics. ELD's financials will be reported separately from other areas.
  - ▶ ELD to engage feedback from the private sector through REAC on a regular basis.
- ▶ A review of Policy C511 to be completed and approved by City Council at least every five years.
- ▶ ELD to participate primarily in land development. Where there is a strategic rationale to participate in vertical construction it will be necessary to receive Council approval for each project.
- ▶ Other than strategic land acquisitions related to the existing inventory, ELD will not acquire land for the purposes of greenfield residential development.
- ▶ ELD to ensure architectural guidelines are in place for each development that must be adhered to by any lot purchaser.