

Sale of Land Below Market Value - Riverdale

Recommendation

1. That an exception to the standard market value sale price contained in City Policy C437 The Lease or Sale of City-Owned Land for Social Housing Development, as outlined in the November 9, 2020, Financial and Corporate Services report CR_8303, be approved.
2. That the agreements for the sale of the land, as outlined in Attachment 1 of the November 9, 2020, Financial and Corporate Services report CR_8303, between the City of Edmonton and Right at Home Housing Society, at less than market value, as outlined in Attachment 2 of the November 9, 2020, Financial and Corporate Services report CR_8303, be approved, and that the agreements be in form and content acceptable to the City Manager.
3. That affordable housing agreements between the City of Edmonton and Right at Home Housing Society, as outlined in Attachment 3 of the November 9, 2020, Financial and Corporate Services report CR_8303, be approved, and that the agreements be in form and content acceptable to the City Manager.

Executive Summary

This report is seeking approval for the sale of City-owned land to Right at Home Housing Society at less than market value. The sale of the City-owned land would provide Right at Home Housing Society with the ability to develop two duplex and three semi-detached structures providing a total of 10 units, with all used for near-market affordable housing. The proposed sale agreements at less than market value require an exception to City Policy C437 Lease or Sale of City-Owned Land for Social Housing Development. Exceptions to City Policy C437 may be considered based on justification acceptable to Executive Committee.

Report

On March 13, 2020, Administration listed for sale or lease a City-owned property in Riverdale. At the direction of City Council on January 20, 2020, all submissions were required to include a long term affordable housing component in accordance with City Policy C601 Affordable Housing Investment Guidelines. This policy applies when the City of Edmonton contributes land at below market value for the purpose of increasing the supply of affordable housing.

At the conclusion of the listing period ending on May 5, 2020, Administration received two submissions for the property offering. A site plan is included as Attachment 1.

Administration requested within the listing that applicants provide a detailed proposal including a schedule of the proposed development, proof of the project's financial viability, as well as the term of affordability. After reviewing the submissions, Administration recommends Right at Home Housing Society. Right at Home Housing Society is a community-based, not-for-profit charity that has a 35 year history of delivering safe, stable, and affordable housing for Edmontonians.

As part of the proposal, Right at Home Housing Society has requested that each lot be sold for \$1.00. Administration is seeking approval to enter into sale agreements (Attachment 2) with Right at Home Housing Society, including buy back option agreements, under which Right at Home Housing Society will grant the City the option to buy back the lots at the purchase price of \$1.00 if Right at Home Housing Society fails to start construction of the development on or before the development commencement date. The City will also hold a performance fee, which will be forfeited to the City if Right at Home Housing Society fails to complete construction on or before the development completion date.

Administration is also seeking Committee approval of agreements to ensure that each lot is used to develop affordable housing, and that each building remains affordable for 40 years. Proposed terms and conditions of these affordable housing agreements are included as Attachment 3.

The sale of land to Right at Home Housing Society supports ConnectEdmonton's strategic goal of Healthy City by increasing the supply and variety of affordable housing. The proposed development will consist of two duplex and three semi-detached structures providing a total of ten units that will all be used for affordable housing. The proposed development is designed for families and will contain four three-bedroom units and six five- or six-bedroom units. All of the units will be near-market affordable housing with rental rates not exceeding 80 percent of average market rental rates as determined annually by the City, which utilizes CMHC average rental rates where available.

The proposed development supports the City of Edmonton's goal of supporting the creation of 2,500 new or renovated units of affordable housing in Edmonton over the next four years, as articulated in the Affordable Housing Investment Plan (2019-2022) approved by City Council on November 6, 2018. This proposed development also aligns with Council's priority of increasing affordable housing in all parts of the City. Currently, affordable housing makes up 14 percent of the total housing stock in the neighbourhood of Riverdale.

Per section 70(2) of the *Municipal Government Act* (MGA), a disposition of land at less than its market value does not need to be advertised if the land is to be used by a non-profit organization. Right at Home Housing Society is a non-profit organization as defined in section 241(f) of the MGA and therefore advertising is not required.

Financial Implications

If approved, the City would forgo sale revenue of \$1.6 million to \$1.8 million. Once developed, the owner of the land will pay annual property tax revenue between \$20,000 and \$50,000, unless otherwise exempted. The below market sale to Right at Home Housing Society would result in a net loss of the book value of the land of \$98,356 and would be absorbed within the current approved operating budget.

Between September 2017 and June 2020, City Council approved below market sales on six sites to affordable housing providers, along with a number of parcels to the Edmonton Community Development Company for a cumulative book value loss of \$7.6 million.

The proposed sale agreements and affordable housing agreements require Executive Committee approval, as does an exception to City Policy C437 Lease or Sale of City-Owned Land for Social Housing Development, which requires land for social housing agencies to be sold at market value. Acquiring the land below market makes it financially feasible for Right at Home Housing Society to construct and operate an affordable housing development.

Public Engagement

In January and February 2019, Administration held public information and engagement sessions with Riverdale residents regarding the possible development of new homes on surplus City land. These efforts were supported by an external public engagement firm.

Public engagement was not undertaken specific to this disposition. The subject lands have been publicly listed for sale or lease on the City of Edmonton’s website. As a condition of the sale, Right at Home Housing Society will inform neighbours of their plans through a community information process.

Next Steps

Administration and Right At Home Housing Society are in the final stages of drafting the sales agreements, the buy back options and the affordable housing agreements.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton is a safe city			
Outcome(s)	Measure(s)	Result(s)	Target(s)

Increased supply of affordable housing units in all areas of the City	Number of affordable housing units created with City funding, land, or planning/regulatory incentives	2021: TBD 2020: TBD 2019: 73 2018: 365	2,500 (2022)
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Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Public perception	Right at Home Housing Society is unable to complete construction of the affordable housing units resulting in loss of reputation for the City.	1 - rare	2 - moderate	2 - low	The Sale Agreements will also include Buy Back Option Agreements, under which the City will have the right to purchase the land back for \$1.00 if construction is not commenced on or before the development commencement date. The City will also hold a performance fee to encourage completion of construction on or before the development completion date.	Future property offerings may consider a more rigorous application process to prove financial feasibility and the ability of the proponent to complete the development as per the terms of the sales agreement. The use of performance fees, letters of credit, performance bonds, and/or labour and material payment bonds may be considered.
Public perception	The transfer may be seen as fiscally irresponsible, as the City is forgoing revenue.	3 - possible	1 - minor	3 - low	The information is being presented for consideration and approval prior to proceeding to sell below market value.	Continued public communication of The City of Edmonton's Affordable Housing Investment Plan.

Attachments

1. Site Plan
2. Proposed Terms and Conditions of the Sales Agreements
3. Proposed Terms and Conditions of the Affordable Housing Agreements

Others Reviewing this Report

- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- R. Smyth, Deputy City Manager, Citizen Services
- B. Andriachuk, City Solicitor