

## Real Estate Advisory Committee (REAC) - What We Heard

The Real Estate Advisory Committee (REAC) was created by the City Manager in 2016 to respond to Council's direction to access the expertise of private sector developers who offered to assist the City in reviewing its land inventory and informing Administration decisions with regard to developing City land. The committee includes members of Administration as well as the development industry. The group's mandate is to provide non-binding advice to help inform decision making on real estate matters.

Administration continues to engage with REAC on the City's Enterprise Land Development (ELD) holdings. Since the March 9, 2020 City Council Meeting, Administration has met with REAC to continue our discussions on the future of the Enterprise Land Development program at the City. Administration consulted with REAC on three separate occasions on ELD specific matters.

In general, the opinion of the industry members of REAC is that the City should sell its holdings as quickly as possible and the City should not continue with greenfield land development.

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On June 25, 2020, Administration presented a disposition strategy for the City's holdings in Aster, Schonsee and Goodridge Corners to gather feedback from the group. Administration proposed the following:

- That Aster complete its plan amendment and sell as-is, in a large single parcel;
- In Schonsee, continue discussions with adjacent landowners to sell or swap logical portions of land to allow each landowner to have developable parcels. Split the majority of Schonsee into east and west sections to be sold separately.
- Continue development of a portion of east side of Goodridge Corners and then develop a strategic stage in the west that:
  - Unlocks development in the west;
  - Obtains major provincial and federal approvals;
  - Allows parallel development in multiple locations;
  - Shortens development timelines for Goodridge; and
  - Increases value of undeveloped land in the west.

## What We Asked

### Enterprise Land Development (ELD) Program

- Should there be any additions or changes to the guiding principles?

*The Guiding Principles presented by the City were:*

- 1. Logical and orderly disposition that ensures land parcels are developable*
- 2. Sell land in manner that takes into account market factors*
- 3. Generate revenue in an appropriate timeframe to support other opportunities*
- 4. Adopt an iterative approach to revisit strategy and adjust accordingly*

### Disposition Options

- Is there another way to dispose of the land that avoids both a “fire sale” and protects us from sterilizing land holdings?
- Does the strategy allow for flexibility and adjustment to market factors?
- Will this strategy allow the City to generate higher per acre land values?
- Will this strategy shorten development timelines in Goodridge Corners?
- Is this the most logical disposition strategy for Schonsee, Aster, Goodridge, and the program as a whole?
- Is there a better disposition strategy and why?

### **What We Heard**

#### Enterprise Land Development Program Generally

From the June 25, 2020 Meeting

- The guiding principles will help to ensure that highest value for the City.
- Each City holding is unique and market forces will have different impacts in different areas. Each holding should be dealt with separately.
- The market as a whole is large enough that ELD holdings will not flood the market.
- Long term development timelines are not less valuable than short term timelines.
- Selling larger parcels of land makes servicing a private sector responsibility.
- It is better to divide these properties into larger portions for developers. Might get different timelines but that could be beneficial.
- The City could go out to market with some lands and test the market and see if it could get the value it wants. If the market is not at that level yet the City could step back and try again another time.
- The investment into development is quite large at these early stages, in order to recoup the costs the land would have to sell at much higher values. This will be too expensive for smaller developers and larger developers are not interested in smaller parcels of land.
- Residential real estate potentially has some post COVID changes coming. Might have a market through the next two to three years but that might disappear by 2025 to 2027. What was attractive in density will be less attractive in the short term. So good demand for single family or

townhomes in the short term, and probably back to more density in the longer time.

### Site Specific Advice

#### Goodridge Corners

- Starting development at Goodridge Corners will actually devalue the land.
- There are developers in the area who would see Goodridge Corners as a good revenue stream for the next 15-20 years. A developer would want to start from the beginning to have control over branding, marketing and architectural controls. etc.
- Recommending that the City sell all of Goodridge Corners to one or two developers to control and develop.
- Timing is important for the sale of Goodridge Corners. There will be competition from the outlying community close by. The regional context in this area is important to be aware and careful of. It would be best for the City to sell Goodridge Corners immediately.
- List the 409 acres for a year and see what offers would come.
- Another option could be to divide the land on 127 Street and service the East side of the land and leave the west side unserviced. Developers would see value in both options.
- City should continue the work with the neighbouring municipalities or Department of National Defence or give longer due diligence timelines because the servicing agreements could get complicated.
- Overall servicing is required but detailed design and servicing may not add value for the City.
- 400 acres is a major advantage and something large developers work for many years to acquire. This is a golden egg.
- No guarantee smaller lots will develop any faster.
- The City should work with Sturgeon County and the landowner to the North for servicing. It could add an external recovery or at least foster cooperation between municipalities.
- Approved lower density in Goodridge is very appealing. As a developer you can ask for more density if the market goes there. But almost impossible to bring down the density

#### Schonsee

- The strategy in Schonsee is a good approach.

#### Aster

- Is realistically 10 years away from starting, the City should bring it to market after the plan enhancements.

On May 29, 2020, Administration consulted with REAC to gather feedback on a potential land swap opportunity in Schonsee that would result in more developable parcels. The consultation was done in anticipation of Administration potentially seeking Council approval for the swap due to the sensitivity around funding being held in abeyance for other capital profiles.

**What We Asked**

- Is the proposed land swap a good idea?

**What We Heard**

- The land swap makes sense.
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On March 2, 2021, Administration provided an update to REAC on it's response to the March 9, 2020 Council motion and provided an overview on the approach taken for the report.

**What We Asked**

- Do you still support the recommendation to sell everything as-is, with no further development
- Do you have any thoughts on what may be some other potential City building real estate catalyst opportunities?
- Are there particular areas with the City Plan that you feel land development activities play a part?

**What We Heard**

- For UDI / REAC, it is frustrating that we're coming back with options to develop portions of the land.
- The 2021 market is as good as 2017. There will be a lot of greenfield development.
- Market has been strong over the last year with low interest rates. We are missing the prime selling season for this land.
- Risk is a big factor that can't be ignored.
- Follow through with the motion and get these on the market, so we can capitalize on that.
- The Development Industry does not agree that development and population can shift from greenfield to infill as outlined in The City Plan.
- If the City keeps putting up barriers to greenfield development then that could be reflected in the City's ability to sell those lands.
- Developing portions of the land and/or parceling it up will devalue the land.
- Risk is a big factor that cannot be ignored. This (new 2021) proposal is a big step backwards after an additional year.
- Get some of the parcels on the market where there is an under supply in the region.

How ELD can support other City Building Initiatives and the City Plan

- The City could take the money from the ELD holdings today and invest it in other City Building Projects for a quicker turnaround.
- Helping out with underground services that are missing and transportation access, technology
- Helping out with OE's and then recovering. Some OE's present a barrier that is so large it prevents development from advancing
- Leave high risk opportunities to the developers
- Would like to see the City move into areas like the Edmonton Energy and Technology Park where private industry can't make sense of the challenges and advance development in the area