

## Small Builders in Enterprise Land Development Projects - What We Heard

Administration has reached out to small builders for their input on the future of the Enterprise Land Development program at the City. Small home builders, those that typically build between three and ten houses a year, are one group that is positively impacted by Enterprise Land Development's work and the lot draw process.

This engagement assists Administration in understanding how changes to the Enterprise Land Development work will impact small business owners, the small trades they hire and the impacts to the overall success of their businesses.

### What We Asked

If the City was no longer in the land development business, how would that affect your business?

### What We Heard

#### How Enterprise Land Development supports small business

- Small builders hire small trades allowing small businesses to succeed (x6)
- Sense of security, honesty and equity when purchasing from the City (x4)
- Even when other areas are slow, City developments are still in demand
- Supporting small business creates a diverse economy
- Income to small builders and trades helps feed families and run households. (x6)
- Small builders are able to build lots in their community.
- Lots in Edmonton are easier to sell
- Through the Enterprise Land Development program the City helps to sustain small businesses
- Some builders' have grown their business mainly through City lots. (x3)
- The City sets a high standard for housing quality and this sets the standard for the industry. Focus on quality over quantity (x2)
- City is a reliable source for lots.

#### Sustainability<sup>1</sup>

- The green requirements the City imposes allows builders to gain knowledge of building green. (x2)

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<sup>1</sup> The City's Energy Transition Unit offers purchasers a \$25,000 Green Building Grant to any builder that builds a net-zero home.

- All homes in City developed neighbourhoods are required to be built solar ready;
- All homes must be built at least 15% better than the referenced house (referenced house being code). This is third party certified by an Energy Advisor. Most homes are achieving much higher standards because they are following the advice of the Energy Advisor that the purchaser contracted.

- They have become a better builder because of the Green requirements.
- Other developers do not require green building standards (x2)
- The City focuses on efficient homes, sustainability and green building not required by other developers. (x3)
- Less carbon footprint means people are living better and healthier lives.

**The homebuilding industry without Enterprise Land Development projects**

- Small building company(ies) may have to shut down (x7)
- Lot prices for small builders would be higher (x7)
- Home quality would be lower
- Homes in neighbourhoods would be less diverse
- In large developer owned neighbourhoods, the only lots offered to small builders are undesirable lots. (x5)
- Public would be unable to hire a builder of their choice and customize their home. (x4)
- Many developers have a minimum number of lots builders have to purchase. Small builders would not be able to afford multiple lots. (x5)
- Small builders would be pushed out to surrounding municipalities. These lots are slower to sell (x4)
- Large developers have their own, or their preferred builders. Small builders would not be a priority. (x3)
- Large developers and builders would get larger creating a monopoly (x5)
- Large builders do not hire small trades people and these companies will lose work. (x6)

**Overview of Enterprise Land Development Lot Draw Process**

Enterprise Land Development sells developed lots through a lot draw process. A portion of the lots are designated to builders through a builder draw and the balance of the lots are designated to citizens through a public draw. The draw process allows an equal opportunity for all interested buyers to register their name or company into the respective random draws for an opportunity to purchase a lot, or in the case of a builder, a package of three lots. Selling lots in this way allows for citizens and small builders to purchase a lot or package of lots in Enterprise Land Development's communities. City-developed lots have sufficient demand that all lots are sold out through the lot draw process.

As shown in Table 1, below, there is exceptionally high demand for City greenfield, residential lots. Despite there being a relatively small number of lots made available for each phase in Laurel 22, there are large numbers of people and builders registering for the chance to acquire one of them. The number of registrants has increased with each phase and the limit on the number of people who could register was effectively removed after 2019 due to demand from the public. In 2021, there were 8,644 people who submitted their name for a chance at acquiring one of 35 lots made available to the public and 163 builders who registered for a chance to acquire one of 14, three-lot packages. In most cases, all lots available were sold in a single day. The instances where that was not the

case was due to Administration adjusting the process to follow COVID-19 guidelines.

#### Lot Demand

Laurel 22						
	Phase 1 (2019)		Phase 2 (2020)		Phase 3 (2021)	
	Builder Lots	Citizen Lots	Builder Lots	Citizen Lots	Builder Lots	Citizen Lots
# of Lots Available	38	39	36	31	42	35
# of registrants	19	2,000	65	2,661	163	8,644
Limit on registrations	19	2,000	50,000	50,000	50,000	50,000
Date registration was open	Mar 11/19	Mar 29/19	Mar 9/20	Apr 1/20	Mar 1/21	Mar 8/21
Time registration was open	37 Mins*	79 Mins*	5 days	7 days	7 days	7 days
Date of Lot Draw	Mar 25/19	Apr 15/19	Mar 31/20	Apr 15/20	Mar 19/21	Mar 29/21
Days to sell all lots	1	1	1	2 *	1	2

Table 1 - Information on Lot Demand

#### Sustainability Requirements

Lots are sold with conditions and design guidelines related to sustainability such as BuiltGreen targets and being solar-ready. These conditions and design guidelines are tied to a performance fee that is refunded if the goals are achieved. The City facilitates information sessions for all lot purchasers to connect them with organizations that can assist them in achieving the required targets. Following completion of home construction, the house is evaluated to determine if it achieved the goal set out in the sales agreement. Once compliance is confirmed, the performance fee is returned.

As shown in Table 2, below, all lots sold in Laurel 22 have sustainability targets. While the majority of homes are still under construction in these subdivisions, of the 29 that are complete there is a 97 percent success rate in achieving those targets. This success rate is consistent with previous subdivision developments in Laurel and Oxford.

Laurel 22			
	Phase 1 (2019)	Phase 2 (2020)	Phase 3 (2021)
# of Lots with Sustainability Targets	All 77	All 67	All 77
# of lots complete as of January 2021	29	None	None
# of completed lots achieving targets	28	n/a	n/a
% of lots achieving sustainability Targets	97%	n/a	n/a

Table 2 - Sustainability Information

#### Detailed comments received from small builders

*For further reading, the following are the notes from direct discussions with individual builders. All personal information has been removed from the comments to protect the privacy of the individual. Additionally, references to specific companies have been removed.*

**Builder 1** - I would not be able to get lots and be forced to buy left over lots from other developers that are not as desirable. I'd probably end up overpaying and have to build under a different builder name (back end contract - silent contract because the developer won't allow any other builder other than who they are contracted with). So my houses will have another builder's sign on the lot. Buying from the City, there is a sense of security; I bought lots from another developer who ended up folding/went bankrupt and all deposits paid on the lots and my performance fees are lost. In Aster, one builder bought all duplex lots, there is no motivation for that builder to add value when building the home and they go the cheapest route (ie. not extending driveways, least expensive everything in the home, double pane windows, baseboards minimal size, cheapest railing, etc). The City adds credibility to the industry, diversifies the industry and treats everyone equal whether you're building 1 home or 10 homes. Some developers are not only developers but have building companies too. Pricing is not competitive, no motivation for the builders to up the ante and build better homes. City developments also keep people working - when other developments are dead, City developments are booming - that speaks for itself. People also feel safer buying from the City - they know they are getting a good product. Lots of small trade businesses are also succeeding/flourishing - 30 to 40 different trades per house - local companies are being supported & flourishing by people who purchase lots in City developments. It's a bigger picture, the bigger builders use the same big trade companies house after house. They would not even entertain hiring a smaller trade company like the people hire in The Meadows. Small builders and trades get an opportunity to grow and flourish, it's a win-win These small trades won't be hired by big builders, etc. It's been a positive experience, I am a better builder because of the green requirements the City imposes on their buyers. The homes in the area are diverse and the floor plans are not cookie cutter homes. I know other large developers do not impose green requirements nor do they require blower door tests. The homes in City Developments are much more efficient and are built much better.

**Builder 2** - My company will have to shut down. I don't have the option to buy from other developers because I only buy 3 lots per year and if I get a chance to buy a lot, it is only leftover lots that the builders in that neighborhood couldn't sell and the developer is selling that lot at a premium price for an undesirable lot.

Other developers cannot hold the monopoly - what type of homes are going to be built, they don't require sustainable green building, they don't offer custom floor plans, you have to choose from Plan A, B or C. Small builders will not thrive, nor will small trades. Also the public who want to buy a nice lot and hire a builder of their choice, they won't have that opportunity. Builders in other developments don't want another builder to come in.

**Builder 3** - I value working with the City and if the City gets out of this business of developing and selling lots, I lose that extra income which helps me to feed my family and run my household. The City has created so many jobs for so many people - smaller trade business and creates a diverse industry. The City really nailed it, by creating a niche that has never been done - by selling to smaller builders and citizens and requiring sustainable homes. I have learnt so much from the City requiring sustainable building. It is a great opportunity and a blessing to learn all the innovative things they have implemented. Other developers do not encourage sustainable building, they worry more about their bottom line. The City set the bar high and well. The City of Edmonton sets the standards for this industry. City developments raise the standard of houses in Edmonton, City has a great business model.

**Builder 4** - If the City gets out of the business of developing and selling lots, it would be difficult for me to buy lots and build. I am a small builder, I would have to close my business because I cannot buy 10 lots at one time which other developers want. There is no risk buying from the City & selling houses in City development. Other developers may offer lots in smaller communities like Spruce Grove, Fort Saskatchewan, Beaumont and the house sits on the market for too long. City offers lots in our community and are easier to sell.

**Builder 5** - The big developers would just get bigger and they have their own building companies. They just give us scraps at the end. We would not get a chance to grow our company. One large builder has their own home building companies who get first priority on their lots and at the end, there may be 5 lots or so left and that is what we get to choose from at a hugely inflated price. The big guys are getting bigger and bigger and crushing the small business. Why is the City giving the monopoly to large developers?? Not good for small businesses. Big developers will push us to the surrounding communities. If it was not for the City of Edmonton selling lots in Laurel, a lot of small builders would have never had the opportunity to build in that area.

**Builder 6** - We are a small builder. We don't get lots from big developers. The City helps us to sustain our business. It is an extra boost for our business. We will be affected negatively. All small tradesmen would not have a job. Big builders only deal with set trade companies. We help out those who are not big shots. This would impact many small trades people and will impact supporting their families. The City also offers for those who want to customize their home which is something the big builders don't offer. Energy efficient homes, sustainability, green building, different lot sizes, the City is better to work with. People are living in better homes and healthier. Less carbon footprint. How will small builders survive, they rely on City lots.

**Builder 7** - This would negatively impact my business. My first lot was won through a public lottery and I have grown my business by buying City lots since then. Other developers have big builders who they already work with and would not consider small builders like my company. City also required green building/sustainability, a better home in the end. City should not give the control to big developers who have all the control. Working with the City is much easier. Buyers prefer houses built on City developed areas, because of the trust factor that comes with The City of Edmonton. Big Developers already have their group of trades, small builders hire smaller trade companies so everyone succeeds.

**Builder 8** - Big developers only sell lots to big builders. They won't sell me lots. I would be forced to buy from other developers at a higher price for what is left over if they are willing to sell to me. Small trade people will also be affected - no work, big developers won't hire them.

**Builder 9** - It would have a big effect. Big developers will offer you lots outside of the City not in Edmonton. Small builders do not want to go outside Edmonton. It is very important for the City to stay in the land development business. Developers sell at inflated price and price changes, depending on who wants to buy the lot.

**Builder 10** - That is no good. Small builders like me won't get lots. Big developers would only use their own building companies to build and not sell to me. I can't buy 25 lots at one time. It's like the mafia - big developers will have everything, that's not right. I will not be in business. Small tradesmen will also be not working.

**Builder 11** - This is a problem. The lottery system is fair. The issue is that other developers charge more for the lots and send us to the outskirts. Our holding

costs are higher because it takes longer (6 months to a year) to sell the home. However, The City gives us a chance to diversify and build custom homes in City developed subdivisions. No other developer will allow a builder to buy 2 or 3 lots. The smaller builders and trades will not be able to survive. The City helps these builders maintain their business. The City also imposes green building which no other developer requires.

**Builder 12** - It would impact negatively. We are a small business and depend on City developments. Big developers will not give lots to small builders unless there is left over, after the show homes have moved. There is also no traffic in the area which makes it harder to sell. You have to pay extra for each lot - up to \$25,000. City lots are more reasonably priced. The big builders and developers want to shut down small builders (those who build under 10 houses per year). If we have to pay more for the lot, the profit goes to the developer or whoever you buy the lot from. Or you get a leftover lot that is hard to sell and holding costs add up. In today's market, you are lucky to make \$50K on a house. If the City does not develop land, the small tradesman will also have no work and suffer. Big builders have their own group of trades. The City is the only developer who requires green building. Other builders in non City developments do not build green. They are only concerned about profit. Meadows houses are built better and greener.

**Builder 13** - We have clients who want to build with us in the SE and due to the lot inventory shortage, it is not easy to accommodate the long list of customers and to find a lot. At least with the City, there is a chance to get some lots and build for these particular customers. Why does the City want to consider giving up a good thing?

**Builder 14** - This would have a bad effect on our business. Our financial status would go down. We depend on lots from The City to keep our company going. Because of having the opportunity to buy lots and sell homes with The City, we are able to keep our household running and pay our bills. My husband also frames houses in The Meadows, he would have no work there either. Tradesmen also are busy and depend on the work that is there. People prefer to buy City lots because of the Built Green requirements and that the quality of the home is better. Land is located well and near everything, like a hub. The City lot price is better than other developers are offering.

**Builder 15** - This will affect us greatly. The City is a reliable source of lots. I don't think the City should not stop developing lots. The City is not biased and is honest. A decision like that would impact small business too, smaller trades,



cleaners, finishing work, suppliers. If it is a one man show, there will not be diversity and lot prices will be hugely impacted at higher prices. Private developers will have the monopoly. Why would the City even consider this? Private developers do not impose green sustainable building. Private developers look at the quantity of sales, not the quality of the home. What happens to the individual citizens who can buy one lot and build, how will they get an opportunity to build for themselves.

**Builder 16** - If the City no longer develops lots, that would be really bad for us. It would decrease my business because I rely 100% on city lots. The tradesman wouldn't have work either - 35 to 40 tradesmen per house who are smaller companies. Small builders give work to small trades people. I have been able to grow my business by having the opportunity to purchase from the City. That would be lost. Private developers would only sell me the leftover lots that are not desirable and hard to sell. City is genuine when selling lots and honest. Everybody gets equal rights to buy lots when dealing with the City. City is the only developer who gives small builders a boost and distributes lots fairly, which is my experience over the past 5 years.

**Builder 17** - It would affect me negatively. I rely on the City's developed lots to grow my business. Small trades would have no work. Private developers only sell better lots to bigger builders, we only get leftovers.

**Builder 18** - If a big developer buys all the land for example, we would not get any lots. There will be a definite effect on me and my company. The City is fair and treats everyone equal. Does not matter if a small builder or a builder who is a bit larger, everyone has the same opportunity. We have bought lots over the last 5 to 6 years. We started our company with City lots. I don't have the opportunity to buy from other developers, they want big builders, they don't want small business men. It is only City lots that keeps my company alive. Small trades will not have business either and their families will suffer. Think, builders on City lots all use smaller tradesmen, think about how many people will not be working. City lots are the tradesman's security that they will have work too. Why does the City want to give the entire monopoly to big developers who then control the lot prices that will be higher.

**Builder 19** - This would affect us big time. We rely on the City to develop land and have access to a few lots a year. Other developers have their own building companies within their development companies. They will hand over the lots to their builders - I will use [redacted] as a company who does that. Their building



companies get the first opportunity on their lots. If there is anything left, we get not so desirable lots at a much higher price. Plus if big developers control all the developments, the lots prices will take a huge jump in price. If there are no City Lots (South Edmonton), this quadrant of the City is already controlled by other developers. The City should develop land all over the City. What will happen to the small trades people, they will have no work. Big developers/big builders will not use smaller companies/trades. I have customers waiting for a home in the next phase and I hope to get lots. If not for City lots, customers will end up paying more for a lot and get much less in return (smaller lot). The City is a better developer, private developer lots are so small and congested and you pay more for smaller lots. I have been working with the City for 4 years now and want to continue.