

# Real Estate

Led by: Real Estate & Development Services

## Description:

The Real Estate service negotiates and completes all corporate real estate transactions to maximize the economic and social benefits of The City's real estate portfolio. Surplus real estate no longer required for municipal purposes is sold; property required for capital infrastructure and community service projects is acquired; and the associated administrative, leasing and funding mechanisms that enable these activities are managed. Our service also includes management of the Revolving Fund for General Land Purchases, land policy and standards management, real estate advisory, land asset information management, coordination of strategic land planning, co-location, circulations and land transfers.

## Customers:

Citizens directly benefit from our services as land is a valuable public asset that supports the delivery of public services and infrastructure. Direct customers include internal business units requiring land, public and businesses that buy from or sell land to The City, and customers of encroachment and right-of-way agreements.

## What is delivered to customers:

We provide professional land management and leasing services, strategic real estate advice, and complete property acquisitions and surplus land sales for the corporation. We protect City infrastructure and reduce liability by leasing and licensing City property and through encroachment agreements.

## Partners:

We collaborate with many internal business units including Law, Finance, Communications, Human Resources, Information Technology, Planning & Development, Facility Management, Environmental & Safety Management and Affordable Housing.

## Service need (value proposition):

Major capital projects such as road widenings, transit, civic facilities and affordable housing require land at the right time to deliver those services. Professional land management services protect The City's assets and reduce liability. Through strategic land asset management and administration practices, The City's inventory of over 8,300 parcels is managed to ensure land is available for the best corporate use and to reduce operating costs. Lands that are surplus to City needs are identified and sold to private ownership, which helps to sustain the Revolving Fund for General Land Purchases, support further land acquisitions and broaden the property tax base. These transactions would not be possible without the responsible and sustainable corporate-wide land management practices that we provide.

## Current state service value

<p><b>50</b> Acquisitions/year</p> <p><b>\$20M</b> Revenue from surplus land sales/year</p>	<p><b>30</b> Infrastructure projects supported/year</p> <p><b>\$10M</b> Leasing revenue/year</p>	<p>2018 Budgeted Gross Operating Expenditures Funding Breakdown (\$ Millions)*</p> <div style="display: flex; justify-content: space-between;"> <div data-bbox="787 1375 933 1533"> <ul style="list-style-type: none"> <li><span style="color: red;">■</span> Tax-Support</li> <li><span style="color: black;">■</span> Revenue</li> <li><span style="color: gray;">■</span> Internal Recoveries</li> </ul> </div> <div data-bbox="998 1375 1161 1533"> </div> <div data-bbox="1226 1272 1494 1386"> <p><b>3%</b> Cost as % of total land value acquired</p> </div> </div> <p><small>* Gross operating budget and the service cost ratio may include internal recoveries that are also included in other services gross operating budget.</small></p>
<p style="text-align: center;"><b>Connections to Citizen Priorities</b></p>		<p><b>What the service includes</b> This service has no sub-services.</p> <hr/> <p><b>Key Capital Investments</b></p> <ul style="list-style-type: none"> <li>• Acquisition of land</li> <li>• Business systems and technology advancement</li> <li>• Real estate life cycle improvements</li> <li>• Sustainment of Corporate Land Management Framework</li> <li>• General land improvements</li> <li>• Enhanced disposition of surplus land</li> </ul>



## What we've heard and service outlook

### What we heard: Research & Engagement Results

Overall, we have received good feedback from our internal customers via in-person interviews. Generally, they are satisfied with the quality of work and service we provide to them. They feel we are professional and experts in our field. Opportunity for improvement was expressed around project communication and timeliness of transactions. Additionally, there is a perception among external customers that real estate transactions seem to take a long time and the process to transact is unclear and cumbersome. These areas are being reviewed and addressed through our continuous improvement strategies.

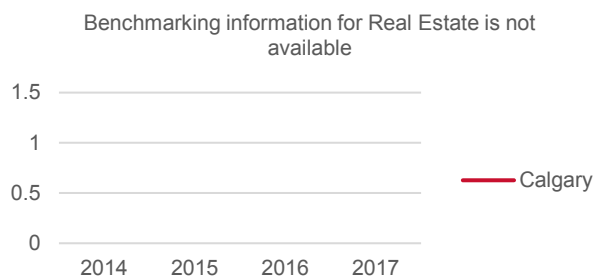
### What Council has directed

Real Estate aligns with several long-term plans and policies including Lease/License of Occupation to Community, Leadership Strategic Plan, Corporate Land Management Framework, Long Range Financial Plan and Affordable Housing Strategy. It supports Council Directives by providing professional land management and real estate advisory services that protect The City's assets, reduce liability, and ensure land is available for the best corporate use; completing real estate transactions to maximize the economic and social benefits of The City's real estate portfolio; identifying and selling surplus lands to sustain the Revolving Fund for General Land Purchases, broaden the property tax base, support further land acquisitions and affordable housing; and acquiring the land required to deliver programs to improve our transportation network, and position Calgary as a city that moves into the future.

### What are we watching?

- Public expectations for greater information and transparency.
- Delivery of higher service levels with the same resources.
- Changes to land management regulations and environmental legislation requiring costly compliance.
- Slow economic recovery and changing market conditions.
- Lack of payback from business units impacting the financial sustainability of the Revolving Fund for General Land Purchases.
- Aging assets in poor condition, leading to higher operating costs and increased vacancy rates.
- Delivering new capital mega projects and expedited construction schedules increase need for costly expropriations.
- Increased demands resulting in delayed service delivery.
- Lack of/aging technology cannot support increasing information demands.

### Benchmarking



Benchmarking indicators for municipal real estate services were explored and were not readily available. Municipal Benchmarking Network Canada does not offer a real estate benchmark. A discussion with The City of Edmonton indicates inconsistent historical data between the two cities. Work is ongoing to find a consistent benchmark for real estate.

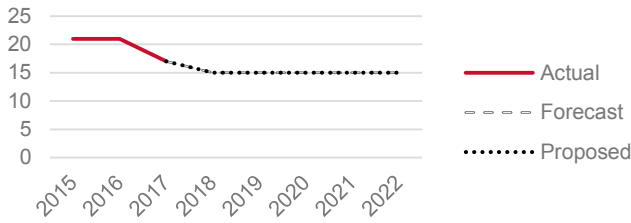
### What matters to Calgarians

VALUE DIMENSION	DESCRIPTION
Responsiveness	Real estate transactions completed in a timely manner.
Quality	Transparency and expertise in municipal real estate processes.
Fairness	Real estate transactions completed at a fair price.
Legislative Compliance	Complies with powers granted by MGA, including delegated authorities of Real Property Bylaw.
Transparency	Processes are clearly defined to public and customers, protects privacy of transactions.

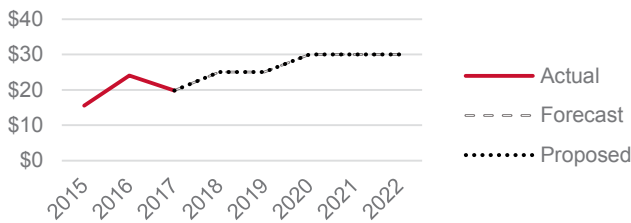


# How is the Service performing? Where we are headed and where do we want to go?

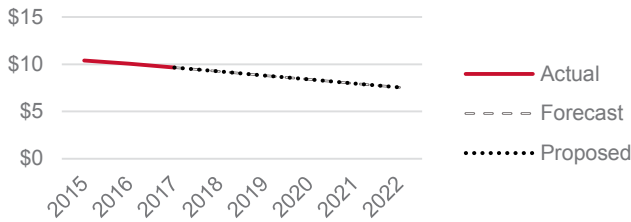
Customer wait time for approved encroachment agreement/letter (Days)



Revenue generated from surplus parcels sold (Dollars (millions))



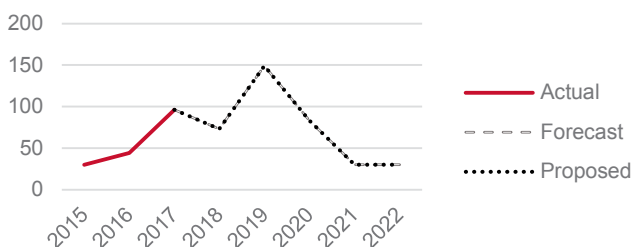
Revenue generated by active leasing agreements (Dollars (millions))



Property tax base contribution from surplus land sales (Dollars (millions))



Number of acquisition transactions (Transactions)



## Story behind the curve

The Green Line LRT corridor is a prime example of land brought into City ownership to deliver services to citizens. Other examples include road widenings, utility easements, facility expansions and community service buildings.

Real Estate services handle all City land acquisition transactions. Many times, land must be purchased well in advance of construction, but the capital budget has funds only for projects commencing within the current four-year budget cycle. To bridge this gap, revenues from leasing and surplus real estate sales go into a capital reserve – the Revolving Fund for General Land Purchases – to fund land acquisitions for projects beyond the current four-year budget cycle.

Over Action Plan (2015-2018), revenue from leasing and surplus real estate sales met or exceeded targets. For 2019-2022, sales revenues are expected to stabilize and leasing revenues are expected to decline. Projections are based on surplus land being identified for disposition from The City's current land inventory.

Inventory management is key to supporting sales. Significant work was accomplished over Action Plan to improve inventory management. Corporate-wide standards and policies were established for reviewing if assets are still needed for their original purpose, could be repositioned for other public needs, or are surplus to City needs and could be made available for sale to the public.

The next step in this work is to define and take a strategic, portfolio-based approach to identify and prioritize parcels for sale to the public. A cradle-to-grave plan for all public land will minimize the costs of City land purchases, reduce operating and maintenance costs to hold land, maximize returns from sales or lease of City lands, and has the potential to increase the property tax base.

Leasing and property management activities help reduce The City's land maintenance costs while providing new and on-going revenues. Managing hundreds of long-term commercial, residential and land leasing agreements require significant capital expenditures and resources. Lifecycle repair, demolition and abatement activities reduce liabilities, eliminate unsightly facilities and mitigate the risk of unnecessary costs. The condition of assets relates directly to tenant retention, potential tenant pool and fees.



# What do we propose to do?

## What we propose to continue doing

STRATEGY
Leasing of corporate real estate to public.
Sale of surplus land.
Acquisition of real estate to deliver capital infrastructure and community service projects.
Client services: land acquisition strategy & project mgmt, intake, expropriation and litigation, valuation.
Corporate land inventory administration, encroachments, land titles, land support, general utility right-of-way agreements.
Business operations, technology, process improvements, reporting, information and records management.
Property management of corporate real estate holdings held for future Municipal infrastructure.

### Why?

These are core services that we provide to the Corporation and public. They include on-going land administration functions, acquisition of new land to deliver capital infrastructure projects (e.g. Green Line), sale of surplus lands, leasing and property management. All real estate activities have a commitment to improve operations and customer service through finding efficiencies and continuous improvement.

## What we propose to do less of

STRATEGY
Property management services – costs will go down, with a commensurate reduction in leasing revenues, as surplus properties are identified for disposition through the Enhanced Rationalization program.

### Why?

Property maintenance requires significant capital expenditures and resources. Through the Enhanced Rationalization Program, we expect to reduce the number of properties that are held for municipal purposes. As these properties are declared surplus and sold, the costs necessary to maintain and operate the real property will be reduced.

## What we propose to do more of or include as a new offering

STRATEGY
Corporate leasing standardization.
Enhanced land rationalization services.
Support for non-profit housing providers.

### Why?

Standardizing leasing processes across the Corporation will reduce liability. Enhanced rationalization will identify more surplus real estate available for disposition. These services will be self-funded by the Revolving Fund for General Land Purchases, supported through sales and lease revenues. These land sales will help increase the property tax base and support the Affordable Housing strategy.



## What Operating Budget do we need to achieve these results and strategies?

For Council Approval

SERVICE PERFORMANCE RESULTS FOR 2019-2022	CURRENT	TREND
Customer wait time for approved encroachment agreement/letter (Days)	15	↔
Revenue generated from surplus parcels sold (Dollars (millions))	25	↑
Revenue generated by active leasing agreements (Dollars (millions))	9.23	↓
Property tax base contribution from surplus land sales (Dollars (millions))	4.7	↑
Number of acquisition transactions (Transactions)	73	↓

### Breakdown of net operating budget (\$000s)

	2019	2020	2021	2022
Previous Year's Budget	3,109	3,112	3,115	3,118
Less Previous Year one Time	-	-	-	-
Base	3,109	3,112	3,115	3,118
Revenue Changes	(413)	(8,970)	(10,700)	(4,700)
Internal Recovery Changes	(66)	-	1,000	-
Inflation	493	3	3	3
Operating Impact of Previously Approved Capital	-	-	-	-
Operating Impact of New Capital (Incremental)	-	-	-	-
Efficiencies	-	-	-	-
Service Reductions	(879)	(780)	(300)	(300)
Service Increases	868	9,750	10,000	5,000
One Time	-	-	-	-
Realignments	-	-	-	-
Total	3,112	3,115	3,118	3,121

### Total Operating Budget (\$000s) for Approval

	2018 Budget	2019			2020			2021			2022		
	At Mar 31	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total
Expenditure	45,494	45,976	-	45,976	54,949	-	54,949	64,652	-	64,652	69,355	-	69,355
Recoveries	(6,407)	(6,473)	-	(6,473)	(6,473)	-	(6,473)	(5,473)	-	(5,473)	(5,473)	-	(5,473)
Revenue	(35,979)	(36,391)	-	(36,391)	(45,362)	-	(45,362)	(56,062)	-	(56,062)	(60,762)	-	(60,762)
Net	3,108	3,112	-	3,112	3,115	-	3,115	3,118	-	3,118	3,121	-	3,121



# Recommended Capital Investment to Support Service Delivery

For Council Approval

## Capital Budget for Council Approval

ACTIVITY	DESCRIPTION	2019 REQUEST (\$000s)	2020 REQUEST (\$000s)	2021 REQUEST (\$000s)	2022 REQUEST (\$000s)	2023+ REQUEST (\$000s)	Total REQUEST (\$000s)
Annual Investment Program(s)		24,100	14,100	14,100	14,100	-	66,400
401850	Land Acquisition Other Civic	20,000	10,000	10,000	10,000	-	50,000
402050	Long-term Leases	1,250	1,250	1,250	1,250	-	5,000
402070	Land Inventory	125	125	125	125	-	500
403000	General Land Improvements	1,500	1,500	1,500	1,500	-	6,000
403371	Corporate Land Management Framework 2	250	250	250	250	-	1,000
480856	Enhanced Rationalization	975	975	975	975	-	3,900
Project(s)		780	995	275	225	-	2,275
403350	Business Systems	155	445	125	125	-	850
403781	Technology Advancement	625	550	150	100	-	1,425
Program(s)		-	-	-	-	-	-
<b>Sub-Total (New Budget Requests)</b>		24,880	15,095	14,375	14,325	-	68,675
Previously Approved Budget Remaining		525	450	403	-	-	1,378
<b>Total Capital Investment</b>		25,405	15,545	14,778	14,325	-	70,053

## Explanation of Capital Budget Requests

### Annual Investment Program(s)

#### Activity 401850: Land Acquisition Other Civic

New Budget Request of \$50,000 thousand for the Revolving Fund Reserve for General Land Purchases. This is an ongoing reserve fund used to acquire land required for City use in a timely manner for projects beyond the current four year budget cycle.

Funding from Capital Reserves

Operating Impact of Capital: None



# Recommended Capital Investment to Support Service Delivery

For Council Approval

## **Activity 402050: Long-term Leases**

New Budget Request of \$5,000 thousand for demolition, abatement and lifecycle maintenance of Real Estate portfolio buildings.

Funding from Capital Reserves

Operating Impact of Capital: None

## **Activity 402070: Land Inventory**

New Budget Request of \$500 thousand for LInDA (land inventory system) maintenance, sustainment, and new functionality will be required throughout the 2019-2022 business cycle.

Funding from Capital Reserves

Operating Impact of Capital: None

## **Activity 403000: General Land Improvements**

New Budget Request of \$6,000 thousand for general improvements to land assets. This program allows RE & DS to maximize the value of the real estate portfolio, including pre-development and development work, consulting, engineering, etc.

Funding from Capital Reserves

Operating Impact of Capital: None

## **Activity 403371: Corporate Land Management Framework 2**

New Budget Request of \$1,000 thousand required for a comprehensive review of CLMFs Standards to identify gaps in alignment between processes, practices and standards to improve maturity of The City's land management practices.

Funding from Capital Reserves

Operating Impact of Capital: None

## **Activity 480856: Enhanced Rationalization**

New Budget Request of \$3,900 thousand to optimize value (co-location, servicing, subdivisions, grouping/combination of parcels) and timing to sell assets while maximizing the revenue from land sales.

Funding from Capital Reserves

Operating Impact of Capital: None

## **Project(s)**

### **Activity 403350: Business Systems**

New Budget Request of \$850 thousand to implement software tools and databases to make timely and informed decisions. Circulations and leasing & property management workflow systems are fundamental components of RE&DS operations.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 403781: Technology Advancement**

New Budget Request of \$1,425 thousand to implement more efficient and effective systems and processes. Technology enhancements are required to execute a more scalable and sustained future state of strong customer focused service delivery.

Funding from Capital Reserves

Operating Impact of Capital: None