

Real Estate

Led by: Director of Real Estate & Development Services

Service Description

Real Estate service negotiates and completes 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, circulations and land transfers.

Service Updates

Highlights

In 2023, Real Estate was recognized among the top sales firm in Calgary as the CoStar Power Broker Award for the Top Sales Firm in 2022. This award honours brokers and brokerages in commercial real estate with the highest overall transaction volumes. Another award was also given to a member of the Sales & Acquisitions team and named one of the Top Sales Broker by CoStar Group. CoStar Group analyzed and measured transactions for 2022 against all active brokerages in Calgary.

The application period is now closed for the three properties which have been released as part of the Non-Market Land Sales #3. Housing Solutions is in the process of evaluating all the submissions. This third release is expected to create approximately 100 units of affordable housing.

Challenges

There are challenges in understanding the role clarity and responsibilities regarding stewardship of land, funding needs and requirements, and where land decisions are made, within the new corporate realignment.

Internal staff movements generate a cascading effect of vacancies across the business unit. Major corporate projects have positions which often are filled by existing staff, creating vacancies within existing teams. This results in numerous recruitments and increased workload for staff. These positions are often filled as limited term, but the vacancies continue beyond a 24-month limited period which creates a conflict with internal reversion policies and increased complexities for ongoing recruitment.



Measuring Our Performance

Legend

— Actuals

■ Expected Future Performance

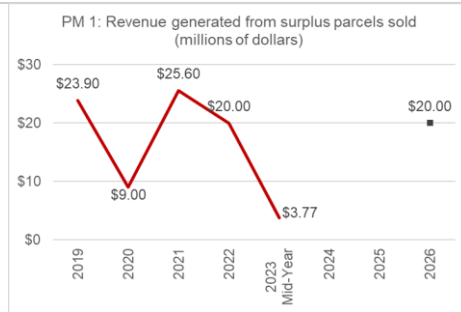
➡ Progressing as planned

⬅ Not progressing as planned

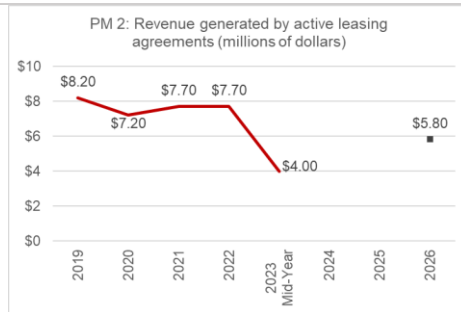
Performance Measures

Story behind the numbers

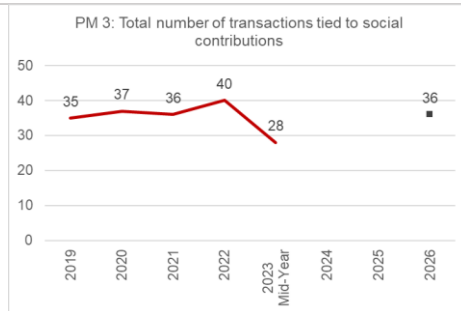
Status



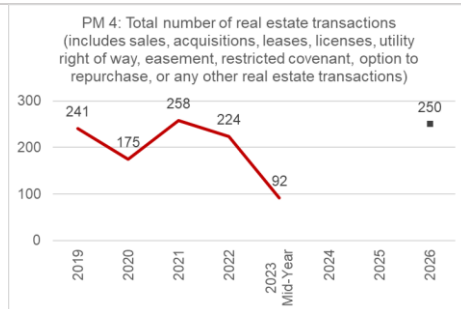
A total of approximately \$3.77M of revenue have been generated for the first two quarters of 2023. The team is working diligently to sell City-owned surplus lands with all the uncertainty challenges in the market. The revenue created from surplus sales will also further add towards the City's tax base. There are many complexities and external factors tied with a sales transaction that impacts negotiations and administrative effort. For example, land is rationalized and priority is given to non-market land sale considerations, or challenging parcel shape/size can both lead to lower sale revenue returns.



The annual target of \$5.8M remains, as the cumulative revenue generated by active leasing agreements for the first six months of 2023 are estimated at \$4M. The business has been focused on negotiating renewals that were outstanding during the pandemic.



The annual goal of 36 transactions remains achievable, as we are reporting a total of 28 transactions in the first six months of 2023 that are associated with social contributions, including transactions for nominal values to assist not-for-profit, charities, and non-market housing.



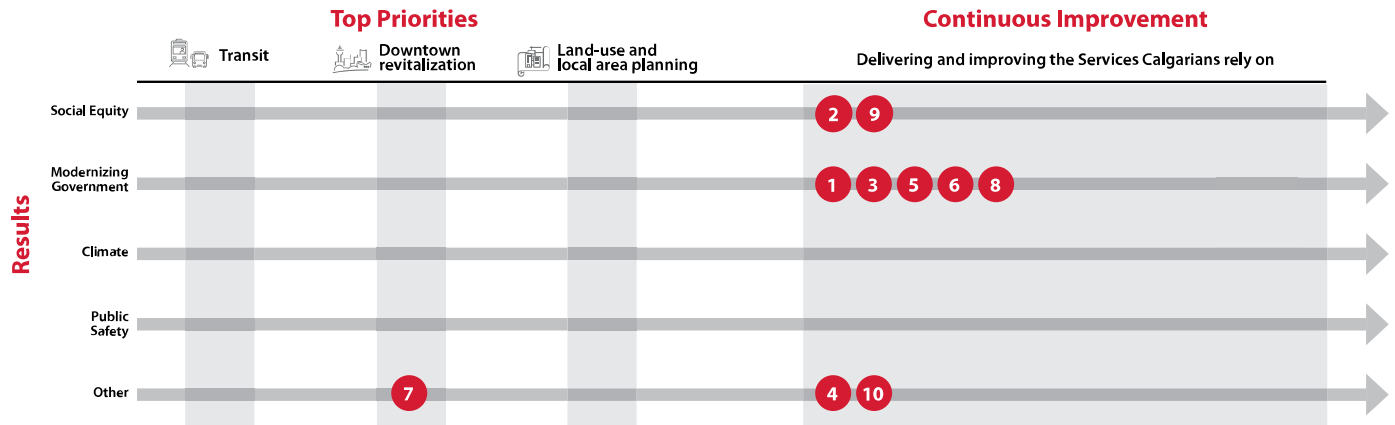
This service line saw a total of 92 real estate transactions for the first half of 2023. This measure reflects the increase in complexity of transactions requiring more effort, time, and expertise. External market factors including increasing interest rates and market unpredictability has also led to properties being on the market longer. However, we are not currently modifying our year end targets.





Progress on Service Delivery

Alignment with Council Refined Priorities and Result Areas



Legend



Completed



Progressing as planned









Not progressing as planned



Initiative number

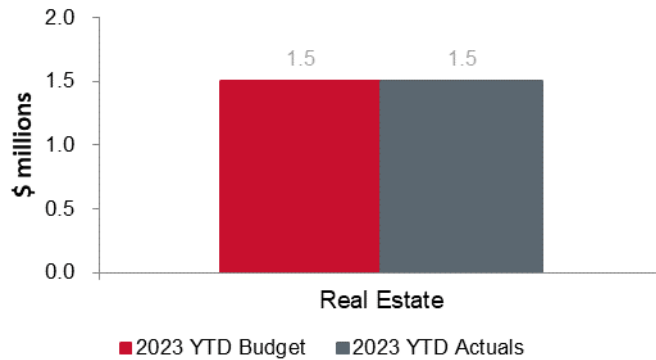
Initiative	Initiative Update	Status
1 Provide efficient and effective land administration through polices and business practices. This includes managing corporate land inventory, encroachments, land titles, land support and general utility right-of-way agreements, while continually improving standards and bylaws to reflect changes within the Corporation.	Approved corporate governance structures continually guide the effective management of The City's land inventory. We are working with Business Units to address land requirements, fund requests, land transfers, and coordinating with new and existing land representatives. Land Administration continues to provide encroachment, land titles and land support services to internal and external customers through Bylaw and legislative compliance and continuous improvement to business processes.	
2 Increasing the value and benefit that Calgarians receive from The City's land inventory. This will be achieved through reduction in maintenance costs, disposition of surplus properties, as well as activating and creating interim uses for underutilized parcels for social/environmental return and increased general revenue and tax opportunities.	A total of nine properties have been deemed surplus; and 62 properties for alternate use. This includes 15 potential Housing Solutions opportunities. Administration disposed of 8 properties for ~\$2.6M, bringing total program sales to ~\$4M. This also provides ~\$400k in maintenance savings, and an annual tax uplift of ~\$21K. Three properties are anticipated to close in 2023 for ~\$1.5M, including a Non-Market Land Sale that will contribute ~\$70k to enhance park amenities. An interim lease opportunity has also been identified.	
3 Generates revenue that contributes to the Real Estate Revolving Fund Reserve, which funds future acquisition budgets and activate properties within communities. Properties are held for future use to ensure amenities that The City would provide (food vendors at sporting facilities) are available to communities by leasing Corporate real estate to the public.	We have focused on outstanding renewals that could not easily be negotiated during the pandemic due to the lack of predictability in the leasing market. Meaning, we have worked with tenants to negotiate arrangements for the recovery of outstanding deferred rent. Additionally, we currently have near zero vacancy in our market rate, developed, retail spaces.	
4 Property management of corporate real estate holdings held for future municipal infrastructure.	We continue to develop and improve our maintenance processes, including the year-end account reconciliation for buildings, standardized forms, templates, and documenting guidelines for managing assets. We are actively demolishing buildings which are past their lifecycle and are not able to be leased, resulting in operational savings. We continue to refine our capital plan to ensure we are enhancing the leasing potential of buildings or extending their current useful life.	

Initiative	Initiative Update	Status
5 Streamline business processes to improve efficiency and speed of transactions. Improve the clarity of lease and license agreements and related information for Corporate approvals. Continuously improve risk management, audit trails and repeatability of lease and license transactions through Corporate lease and license standardization.	The lease management software integration with PeopleSoft will be completed in 2023 including the uploading of all lease agreements. This ensures clients will have access to their lease files in the future. Clients are currently being trained on this process and will have full access to the system by year end. The standardization of Lease terms and conditions is underway in collaboration with City Legal resources. This work addresses various lease types as well as templates for agreements such as a License of Occupation (LOC).	
6 Strengthen The City's reputation through enhanced people and culture initiatives, compliance in safety, reporting, and enhanced governance. Drive the business forward by modernizing policies, processes, technology, and strategies to keep ahead of shifting demands with innovative marketing techniques, market analytics and data driven metrics.	People and Culture strategies were created and implemented during the return to the corporate workspace. Eight business processes were reviewed for efficiencies and documented. An outdated technology system has successfully been decommissioned in June and fully replaced by a Customer Relationship Management system. The Real Property Bylaw triggered a review of existing policies and frameworks to ensure alignment, with the next phase including the development of guidelines for internal use.	
7 Acquire real estate to deliver capital infrastructure and community service projects, including streamlining intake of files from Planning & Development Services.	The Sales and Acquisitions team continues to support infrastructure and community service projects. These projects include the Event Centre that will support Council's vision of Rivers District; fire hall acquisitions that will support growth in StoneGate and the Hotchkiss community; the expansion of Bonnybrook Wastewater Treatment Plant to accommodate population growth; and continuous pathway network improvements.	
8 Enable redevelopment and increase the tax base while supporting Calgary's growth and revitalization by marketing and selling City-owned surplus lands.	The Sales team continues to provide their expertise in redevelopments and the marketing and selling City-owned surplus lands. The team is developing and evolving marketing strategies in order to effectively market properties, as well as address the current market volatility. This volatility includes fluctuations in valuations, interest rates, inflation in development costs, and new competitors entering the market. The success of sales and marketing directly contributes to the tax base.	
9 Increase the amount of below market housing in Calgary by partnering with Housing Solutions to support the continued implementation of the Non-Market Housing Land Disposition Policy.	The sales team continues to bring non-market land dispositions to the market. Currently, Housing Solutions is selecting successful candidates for the Non-Market Land Sale #3 with a total of nine applications were received for the three properties.	
10 Supporting internal clients for Corporate projects by providing real estate expertise such as, land acquisition strategy for capital projects, expropriation, and valuation.	The Client Services team continues to provide high quality real estate expertise and support to internal clients (Business Units) for their successful delivery of capital projects. The increasing complexity of projects is causing an increased demand for this team's resources and expertise.	



Service Updates on Financial Performance

Net Operating Budget and Actuals as of June 30, 2023

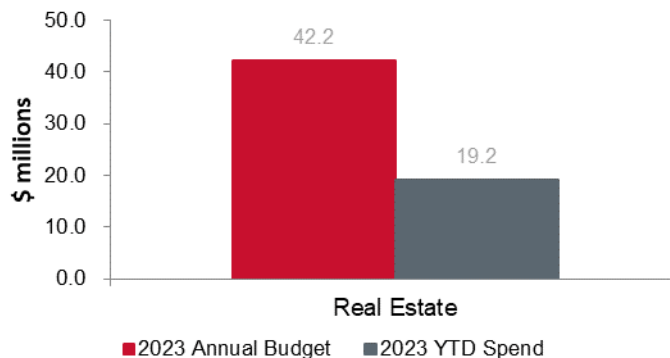


Operating Budget Updates - 2023 YTD net operating budget vs actuals:

Real Estate operating budget has a spend of favourable year-to-date. Active lease agreements in the first half of 2023 have generated a revenue of \$4M. Outstanding renewals that were difficult to negotiate during the Covid-19 pandemic are being prioritized.

2023 saw a total of nine transactions for surplus land sales, which equated to an amount of approximately \$3.77M in revenue. Both surplus land sales and active lease revenue are important factors that help to sustain the Revolving Fund Reserve for General Land Purchases. Both are tied to Real Estate performance measurements that displays the financial sustainability of the business unit.

Capital Budget and Spend as of June 30, 2023



Capital Budget Updates - 2023 total capital budget vs 2023 YTD spend:

The capital budget saw a spend rate of roughly 45.62 percentage of the \$42.2M approved budget for 2023. The Business Processes program has focused on the lease management software integration into PeopleSoft, which includes uploading all agreements into the system. This upgrade will allow clients to have access to lease files and data and is expected to be completed in 2023.

The Technology Advancement project has successfully decommissioned an outdated system, which have now been replaced with the Customer Relationship Management (CRM) system. Another milestone for this project included adding a historical search functionality within CRM with the ability to search and access older information. New system implementation work has started to support the Land Administration team for land title services.