

# Land Development & Sales

Led by: Real Estate & Development Services

## Description:

Our core service is the development and sale of industrial lands with the purpose of economic diversification, optimizing value and maximizing the financial return on City-owned land under City stewardship. In response to strategic corporate needs and significant public transit investments by The City and other levels of government, our service will direct resources to leverage strategic redevelopment opportunities. The same business driver underlies all three development programs: maximize the economic, social and environmental benefits by growing the non-residential tax base and generating economic investment and employment opportunities.

## Customers:

Small business owners/entrepreneurs  
Large corporations  
Building developers  
Citizens

## What is delivered to customers:

To attract and sustain employment, business investment and economic diversification in the city; we provide serviced land available for sale; complete service connections and driveways; execute land sales transactions and provide post transaction client support.

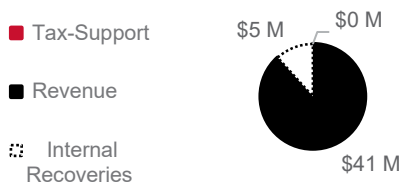

## Partners:

Many internal City partners play an integral role in the development and sale of serviced land including: Law, Finance, Calgary Growth Strategies, Transportation Infrastructure, Calgary Approvals, Roads, Water Resources, Transportation Planning, Parks, Affordable Housing, Customer Service & Communication and Environmental & Safety Management

## Service need (value proposition):

Supporting Calgary's ability to create new business investment opportunities and diversify the economy are key drivers for our service. The economic spinoffs are significant with increases to the non-residential tax base, business diversification and job creation, which all help to benefit Calgary's economy. Our customers require a variety of land types and sizes in a range of locations and land uses to meet their business objectives. We ensure all land parcels are made available for sale to the public and are offered at competitive market prices. We also offer post-transaction client support; a unique feature in the industry, well-used by our customers. Our planning and sales teams offer customized solutions to support a customer's building approvals process.

## Current state service value

<p><b>\$41 M</b> Gross Industrial Sales Revenue</p> <p><b>350</b> Permanent Jobs Created</p>	<p><b>\$3.4 M</b> Additional NonRes Tax Base Contribution</p> <p><b>\$26.5 M</b> Business Investment in Industrial Land</p>	<p>2018 Budgeted Gross Operating Expenditures Funding Breakdown (\$ Millions)*</p> <p><b>\$1.50</b> Return on Investment</p>  <p>* Gross operating budget and the service cost ratio may include internal recoveries that are also included in other services gross operating budget.</p>
<p>Connections to Citizen Priorities</p> 		<p><b>What the service includes (\$000s)</b></p> <ul style="list-style-type: none"> <li>•Development of serviced land ready for building development (\$6,287)</li> <li>•Land sales (\$41,000)</li> </ul> <p><b>Key Capital Investments</b></p> <p>Industrial parks, strategic redevelopment, transit oriented development, business and office parks</p>



## What we've heard and service outlook

### What we heard: Research & Engagement Results

Our customers expect reasonably priced, well-located serviced land in various sizes and land uses to support their business needs. The desired sales transaction experience is responsive and timely followed by post-transaction client support. Of the 11,346 Engage Portal responses, 29 per cent were directed towards A Prosperous City suggesting economic growth is a priority for citizens. The results indicate customers value a balanced land portfolio, resilience to volatile market conditions and a positive return on investment. Citizens' View Panel results ranked attractiveness–fair market prices as the most important value dimension.

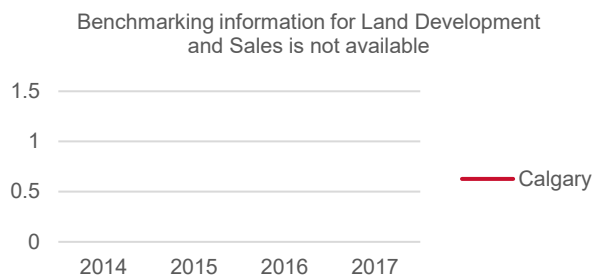
### What Council has directed

The 2013-22 Industrial Land Strategy (LAS2013-06) and Council Directive: A Prosperous City guides our focus on maximizing the value of City-owned land to ensure a positive return on our investments. From the early planning stages of land development to construction, we develop land that creates business opportunities and investment. Our land sales translate into more businesses becoming a part of The City's non-residential tax base as well as to overall economic growth and diversification. Our expanded strategic redevelopment program includes advancing the Anderson TOD project and initiating preliminary planning of other City-owned redevelopment sites. Investment in transit infrastructure can be optimized by adding residential and commercial land uses; the result is more housing options, greater transit use and the promotion of healthy lifestyles through our public spaces and pathways.

### What are we watching?

- General economic conditions and its effect on land sale prices and volume. Prices have a direct financial impact on land sales revenue, the rate of development and land inventory levels.
- Broader range of customer needs and expectations for lot sizing, configuration and servicing requirements and other value-added features.
- Sustainability of real estate reserve fund as a result of corporate needs for developed land at costs lower than market value.
- Increasing government oversight and land development and policy requirements leads to higher project costs and extended approval timelines.
- Continued growth in e-commerce and logistics will require more serviced industrial land to accommodate the need for logistics and distribution facilities.
- The limiting factor of a high office vacancy rate on new commercial office property development.

### Benchmarking



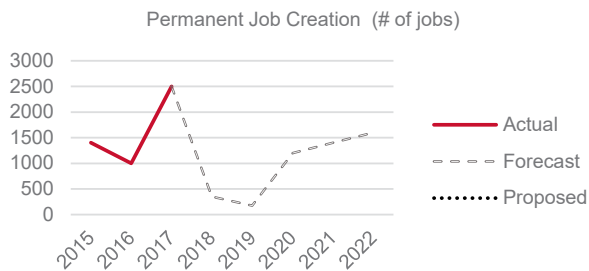
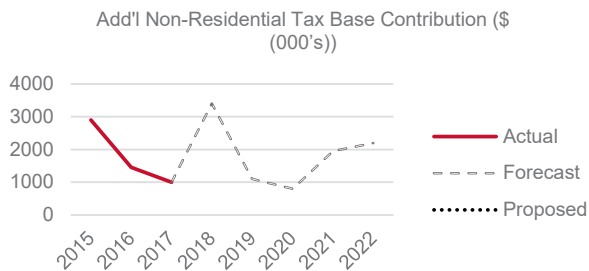
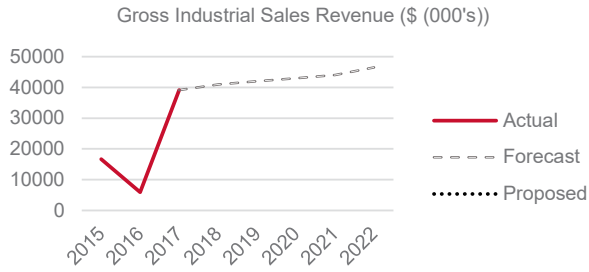
An MBNCanada land development benchmark does not exist, however discussions with The City of Edmonton and research of other municipalities who undertake land development did occur. Lack of historical data and/or performance metrics determined a mutual benchmark is not currently available. Developing similar performance reporting was supported which may lead to potential benchmarking opportunities that explore the value dimensions of attractiveness and responsiveness. The discussion was also helpful in sharing knowledge of our respective land portfolios and development strategies.

### What matters to Calgarians

VALUE DIMENSION	DESCRIPTION
Attractiveness	Serviced City-owned land sold at fair market value; land parcel characteristics align with customer's business needs.
Availability	Consistent supply of serviced land available for sale.
Responsiveness	Real estate transactions are completed in a timely manner and customer inquiries are responded to quickly.
Resilient	Our diverse land portfolio enables us to withstand and respond to market fluctuations in land sales and to sustain our direct role in promoting local economic development and diversification for Calgary.
Convenience	Serviced land ready for building construction and supported by a team of sales, engineering and planning experts.



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



### Story behind the curve

Industrial market performance is often viewed as a leading indicator of economic activity. In response to signs of improving market conditions in Q4 of 2017, we are pursuing several initiatives to increase land sales for the next four years.

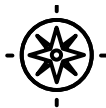
To bolster our industrial land development program, a stronger partnership with Calgary Economic Development will help identify opportunities to align our product with prospective buyers and to reveal emerging economic growth opportunities. Our work program will also focus less on business and office park development in reaction to the continuing high office vacancy rates and shifting demand for more industrial properties.

With respect to operational efficiencies, we recently restructured our development teams to improve alignment between staff expertise and stage of development. We also plan to formalize a customer intake and delivery process, and consolidate our service connection and driveway installation work – all designed to expedite customers' building construction timelines and to improve their post-transaction customer experience.

To support The City's long-range urban planning goals, our strategic redevelopment program is designed to intensify development around Anderson Station and other transit infrastructure. The program also includes optimizing the redevelopment potential of underutilized lands in the inner city and other developed area neighbourhoods. We strive to provide more housing options, increase transit ridership and develop sustainable urban land use patterns.

In the last business cycle, factoring in the economic slowdown, our average gross industrial land sales revenue was \$21.4 million per year. For One Calgary, we are forecasting an average of \$44 million per year.

Sales revenue is the foundation for our self-supporting business model and it generates significant economic spinoffs. Based on our sales revenue forecast, we project the lands we sell will lead to an additional \$6.0 million to the non-residential tax base. And with projections for more than 200 short-term construction and 4,400 permanent jobs to be created due to new businesses constructing on our industrial lands, our service directly contributes to the economic prosperity and business diversification of the city.



## What do we propose to do?

### What we propose to continue doing

STRATEGY
Industrial Land Development and Sales Program.
Service Connections and Driveways.

#### Why?

The industrial market is a leading indicator of economic recovery and with signs of improved market conditions in late 2017, developing additional lands acquired last year would respond to anticipated greater customer demand. Consolidating all service connection work from our industrial development program will create greater efficiencies with service delivery and transparency in financial cost reporting.

### What we propose to do less of

STRATEGY
Business and Office Park development in favour of Transit Oriented Development and Strategic Redevelopment.

#### Why?

We are responding to the current market conditions of low market demand and high inventory of suburban and downtown commercial office space. Until the transit alignment to the airport has been finalized, site planning work for Aurora Business Park will be put on hold.

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

STRATEGY
Strategic Redevelopment Program.
Transit Oriented Development.

#### Why?

- To align with the long-range, urban sustainability goals of the MDP and CTP, and increased funding in transit infrastructure.
- To shape Calgary's built environment and infrastructure networks by maximizing the redevelopment potential of underutilized land assets with thoughtful intensification and innovation.
- To activate development intensification to support existing transit infrastructure with the objective of providing more housing options and increased ridership.



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

For Council Approval

SERVICE PERFORMANCE RESULTS FOR 2019-2022	CURRENT	TREND
Gross Industrial Sales Revenue (\$000's)	41,000	↑
Add'l Non-Residential Tax Base Contribution (\$000's)	3,400	↑
Permanent Job Creation (# of jobs)	350	↑
Business Investment in Industrial Land (\$000's)	26,500	↑

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

	2019	2020	2021	2022
Previous Year's Budget	442	442	442	442
Less Previous Year one Time	-	-	-	-
Base	442	442	442	442
Revenue Changes	(2,004)	(1,030)	(1,030)	(2,575)
Internal Recovery Changes	(2,295)	-	-	-
Inflation	2,295	-	-	-
Operating Impact of Previously Approved Capital	-	-	-	-
Operating Impact of New Capital (Incremental)	-	-	-	-
Efficiencies	-	-	-	-
Service Reductions	(6,119)	-	-	-
Service Increases	8,123	1,030	1,030	2,575
One Time	-	-	-	-
Realignments	-	-	-	-
Total	442	442	442	442

## 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	47,287	51,586	-	51,586	52,616	-	52,616	53,646	-	53,646	56,221	-	56,221
Recoveries	(5,487)	(7,782)	-	(7,782)	(7,782)	-	(7,782)	(7,782)	-	(7,782)	(7,782)	-	(7,782)
Revenue	(41,358)	(43,362)	-	(43,362)	(44,392)	-	(44,392)	(45,422)	-	(45,422)	(47,997)	-	(47,997)
Net	442	442	-	442	442	-	442	442	-	442	442	-	442



# 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)		-	-	-	-	-	-
Project(s)		13,363	22,440	4,750	5,490	4,380	50,423
402010	Point Trotter	903	7,500	2,000	1,500	-	11,903
402550	Anderson Station TOD	8,960	11,080	750	2,250	4,380	27,420
480850	Heritage Station TOD	600	1,100	100	100	-	1,900
480851	Srvc Connections&Driveways	1,000	1,200	1,200	1,400	-	4,800
480852	Centre St&16 Ave NW Stn TOD	400	100	-	-	-	500
480853	West Village Redevelopment	1,100	800	400	-	-	2,300
480854	South Hill Station TOD	-	260	300	240	-	800
480855	West Downtown Redevelopment	400	400	-	-	-	800
Program(s)		-	-	-	-	-	-
<b>Sub-Total (New Budget Requests)</b>		<b>13,363</b>	<b>22,440</b>	<b>4,750</b>	<b>5,490</b>	<b>4,380</b>	<b>50,423</b>
Previously Approved Budget Remaining		44,227	56,402	103,986	-	-	204,615
<b>Total Capital Investment</b>		<b>57,590</b>	<b>78,842</b>	<b>108,736</b>	<b>5,490</b>	<b>4,380</b>	<b>255,038</b>

## Explanation of Capital Budget Requests

### Project(s)

#### Activity 402010: Point Trotter

New Budget Request of \$11,903 thousand is requested to cover additional onsite construction and increased off site obligations (Glenmore/68th ST intersection) for the remaining lands acquired last year.

Funding from Capital Reserves

Operating Impact of Capital: None



## Recommended Capital Investment to Support Service Delivery

For Council Approval

### **Activity 402550: Anderson Station TOD**

New Budget Request of \$27,420 thousand to initiate redevelopment of City owned lands at Anderson LRT Station into a transit oriented development site.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 480850: Heritage Station TOD**

New Budget Request of \$1,900 thousand to determine the transit-oriented development potential of City-owned lands at the Heritage LRT Station.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 480851: Srvc Connections&Driveways**

New Budget Request of \$4,800 thousand to improve administration of a cost recovery service to purchasers of City-owned land.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 480852: Centre St&16 Ave NW Stn TOD**

New Budget Request of \$500 thousand to explore the development potential of City owned lands adjacent to the future Green Line LRT station at Centre St and 16th Ave NW.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 480853: West Village Redevelopment**

New Budget Request of \$2,300 thousand to support Green Line construction and to evaluate redevelopment potential of City-owned lands in West Village.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 480854: South Hill Station TOD**

New Budget Request of \$800 thousand to determine the transit-oriented development potential for City-owned lands at the South Hill LRT Station.

Funding from Capital Reserves

Operating Impact of Capital: None

### **Activity 480855: West Downtown Redevelopment**

New Budget Request of \$800 thousand to determine future redevelopment potential of City-owned lands in west downtown.

Funding from Capital Reserves

Operating Impact of Capital: None