

**LOUISE STATION COMPREHENSIVE DEVELOPMENT – (EAU CLAIRE) – WARD 8
(ALD. JOHN MAR (JR))**

SUMMARY/ISSUE

Report regarding the redevelopment of City owned lands for Affordable housing, market housing and a Fire/EMS Station on lands known as Louise Station.

PREVIOUS COUNCIL DIRECTION/POLICY

On June 9 2003, Council approved C2003-44 Affordable Housing Implementation Plan and Funding. It was this plan that identified that The City target was for 200 units while the community target was an additional 200 units.

On July 24 2004, Council approved LAS2004-178 Affordable Housing Sustainable Resource Management Plan – Phase 2: Short Term Development Strategy 2004. Council directed Administration to “take a leadership role in the development of 200 units of affordable housing annually to maximize the Affordable Housing Partnership Initiative funding”.

On December 12 2005, Council approved 2006 Corporate Goals in APA2005-538a where they identified “through direct development and partnerships, initiate development of 200 units of non-market housing (pending available senior government funding) for 2006, 2007, and 2008 respectively.

On June 12 2006, LAS2006-78 Affordable Housing Strategic Financial Plan was approved.

On October 16 2006, LAS2006-144 Proposed Method of Disposition for 727 - 1 Avenue SW was Approved by Council.

On February 13 2007, Council approved LAS2007-12, Proposed Initiation of Expropriation – Downtown Commercial Core. On June 25 2007, Council Approved the Proposed Amendment to Previously Authorized Initiation of Expropriation –

Downtown Commercial Core – 838 – 4th Avenue S.W. C2007-48.

On July 17 2007, Council approved LAS2007-111 Louise Station Comprehensive Development, an implementation strategy and business arrangement for the development of a Fire/EMS Station, Affordable Housing, Market Housing and small commercial retail units on the Louise Station lands. (Attachment 4).

ADMINISTRATION RECOMMENDATIONS:

That the Land and Asset Strategy Committee recommend that Council:

1. Receive this report for information and authorize The Administration to proceed with the completion of the Development Agreement and Purchase and Sale Agreement;
2. Approve additional appropriation of \$2.724 million in program 489 to cover increased costs for this project and approve to use proceeds of land sale (838 - 4th Av SW Strata Parcel) to finance these additional costs;
3. Request that Report LAS2008-73 be forwarded as an item of urgent business to the in camera session of the 2008 March 17 Regular Meeting of Council and that the Recommendations, Report and Attachments remain confidential until the conclusion of the in camera discussion, except for Attachments 2 and 3 and LAS2007-111 Attachments 2 and 3, which should remain confidential pursuant to Sections 23(1)(b), 24(1)(a), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Ac.*

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INVESTIGATION

The Louise Station project is composed of a Fire/EMS Station, 88 units of Affordable Housing, 132 units of Market Housing and two small commercial retail units. The subject site is located on the northeast corner of 4th Avenue and 8th Street SW in the community of Eau Claire (Attachment 1). This type of development helps to achieve “smart growth” by reducing the necessary footprint required to achieve specific Council priorities.

Council approved a City initiated Land Use Amendment to DC Bylaw DC20Z95 for the entire site and an Amendment to the Eau Claire Area Redevelopment Plan on May 28 2007. Calgary Planning Commission approved the Land Use and ARP Amendment June 14 2007, and subsequently by Council on July 16 Council Public Hearing. A development permit for Louise Station was approved by The City’s Development Authority July 26 2007, and was approved, and subsequently upheld by the Subdivision and Development Appeal Board September 13 2007.

The project team includes representatives from Land Servicing and Housing, Corporate Properties & Buildings, Calgary Housing Company, Fire, EMS, The LaCaille Group and GEC Architecture firm. The design requirements of Fire, EMS and Affordable housing have been met and approved by the Calgary Fire Department, Emergency Medical Services and the Calgary Housing Company, respectively. Collectively, the project team has worked together to create a comprehensive agreement with the developer. The agreement is generally consistent with the Heads of Agreement approved by Council in July, 2007. Minor revisions to the agreement include design considerations (such as specifications and permit approval), project costs and construction/financial monitoring processes.

October 5 2007 the Developer obtained an Excavation and Shoring Permit to begin excavation and shoring of property. The Building Permit for the project is currently under review, with an anticipated release in March of 2008. On November 30 2007 the Developer provided contract prices for the entire project (Fire, EMS, Affordable Housing and Parking). The Developer has submitted a subdivision application to create a series of strata titles, whereby each of the following five components have a separate title in accordance with the Development Agreement and Purchase and Sale Agreement

- 1) Fire/EMS Station
- 2) Affordable Housing Tower
- 3) Affordable Housing Parkade Level 1
- 4) Parkade Levels 2, 3 and 4
- 5) Market Housing Tower

Attachment 2 illustrates the proposed strata titles associated with the subdivided property.

The estimated time for construction is 24 months with occupancy permit anticipated in the spring of 2010. As per the terms of the agreement the Developer will acquire 727 – 1st Avenue SW property 90 days following Occupancy Permit.

Administration has reviewed the costs provided by the developer and has completed a draft Development Agreement with the Developer for the completion of Fire, EMS and Affordable Housing facility. The Development Agreement provides for an approach that recognizes the need for expedient development in order to move forward with commercially competitive costs whilst managing the risk for The City of Calgary.

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IMPLICATIONS

General

The ability to develop affordable housing units helps achieve one of Council's specific priorities. In addition, the ability to develop a Fire/EMS station addresses a much needed essential public service for the west downtown area of the City.

The incorporation of affordable housing and municipal facilities (Fire/EMS facilities) into a comprehensive development program intensifies the use of land. This intensification represents a smart growth principle and allows for a maximum rate of return on The City's real estate assets.

Social

The existing 1st Avenue affordable housing project has substantive upgrading requirements and significant operational challenges evidenced by continued substance abuse, property crime and anti-social behaviour. Removing the project and creating a new environment at a different location will help in creating a more desirable form of affordable housing.

Those individuals and families wait listed with the Calgary Housing Company will greatly benefit from the development of Affordable Housing at this location, as it will provide an additional 88 units, 11 of which are wheelchair accessible. The local community will benefit from the development of the Fire/EMS Station at the site, as current response times and capacities of Fire and EMS are considerably strained for the west portion of the downtown core.

By providing a range of housing options to people of different ages, income groups and lifestyles in Eau Claire, the inclusion of non-market housing will help create and maintain a healthy, vibrant and sustainable community.

Environmental

Any environmental review required pursuant to the S.A.L.E. Policy will be conducted prior to sale closing.

An Environmental Site Assessment Phase 1 has been undertaken, as required by the planning process. No obvious concerns with the potential to pose a risk to the environment were identified at the site.

This proposed development reflects a comprehensive and integrated development that maximizes the value of City property and reflects a cornerstone principle of smart growth.

The development is designed utilizing sustainable, energy efficiency construction materials and systems based upon Leadership in Energy and Environmental Design (LEED) concepts. This reduces energy consumption and operation costs over the life of a building. Energy modelling is being conducted on the Fire/EMS Station, the affordable housing tower and market tower on an individual basis, in order to optimize the design. The goal for the Fire/EMS Station is to be LEED Silver Certified, based upon the LEED Canada checklist. The Affordable Housing tower will be designed based on the LEED Canada checklist. The Market Housing component will use the LEED checklist as a guideline in the design of the building.

Economic (External)

By creating a comprehensive development it would reduce the need for new land and outward growth. The City's leadership on City owned property can serve as an example to other property developers as how creative solutions can be both financially feasible and practical.

The development will generate increased tax revenue into the future and lend to the overall

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benefit of the surrounding downtown communities through densification and subsequent economic infusion into the area.

BUSINESS PLAN/BUDGET IMPLICATIONS

The Administration has been working with the developer to balance design considerations with budget implications. A final budget has now been identified; however, a combination of cost escalation and detailed design implications has resulted in an overall increase in the project budget. Attachment 3 provides a breakdown in budget costs and the respective funding sources. It is important to note that the typical construction cost inflation rate for 2008 was 18% or 1.5% per month. In addition, the land acquisition required for the site resulted in an increased land value, further escalating the project budget.

The July, 2006 estimate for the Fire/EMS component was \$9.1 Million. The final cost estimate is \$12.6. The escalation in costs reflects general construction cost inflation, detailed specification requirements and the incorporation of LEED Silver standard. Program 041 has the funds available to proceed with this project.

The July, 2008 construction cost estimate for the affordable housing component is \$26 million. The final cost for the affordable housing is estimated to be \$28.7 million. Based on 88 units, this represents a cost of \$320,000 per door. This cost is to be funded through the following sources: the Affordable Housing financial plan; the sale of 727 1st Avenue SW Property; and already approved Capital Funds in 2006-2008 Capital Budget. Overall, funding is available for the current capital cost estimate.

The sale of a portion of the subject property to the developer will provide \$2.723 million to

The City. These funds will be used to offset the cost of the project.

RISKS

Administration has worked with the Developer to develop a comprehensive agreement that makes significant efforts to manage risks. However, the nature of the project and associated agreement identifies The City as responsible for typical risks associated with large construction projects. Specifically, the costs of the project are considered final costs, however, unanticipated conditions or events in the construction industry could impact the costs or timing of completion.

Currently the site is under construction, as per the July, 2007 Council approval, The City will reimburse the Developer for excavation costs and project management fees to date. Failure to move forward with the agreement as identified in this report would result in a payment to the developer of approximately \$4.5 million. The City has the right to withdraw from the proposed agreement and sell the developer the entire land parcel.

Delay in execution of the formal agreements will result in escalation of construction costs associated with the work currently underway onsite. In addition, delay in ratification of the agreements will likely result in the cancellation of existing sub-contracts reflected in the overall project costs.

A dispute resolution mechanism has been incorporated into the agreement to allow for a fair and just conclusion in the event of a conflict.

Budget to repair 727 – 1 AV

The costs required to repair, upgrade and solve the operational challenges associated with the 1st Avenue affordable housing building are prohibitive. By selling this site to the developer, those funds can be redirected

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towards the construction and operation of the new affordable housing tower of Louise Station. A condition of sale is the demolition of the existing building at 727 1st Ave SW. The City capitalizes on a unique opportunity to replace old units in need of significant repair with new units using the latest designs and construction materials lending to a more fiscally effective and efficient building operation.

Social:

The existing affordable housing located at 727 1st Avenue SW contains 72 units. Based upon a review of the property, the water table proximity and the current guiding policies and bylaws governing the site, a redevelopment of the 1st Avenue property would result in a loss of 8 units. Thus a regeneration of 1st Avenue property would produce only 64 units and the costs associated are not financially reasonable. The Louise Station project contains 88 units, which is effectively a net gain of 24 units. In addition, the units would be of current construction methods and materials, making the operational costs advantageous for Calgary Housing Company.

VALUATION

The negotiated price of the Property was based on two independent appraisals and has been approved by Corporate Properties and Buildings Valuations Committee comprised of accredited appraisers.

ATTACHMENTS

1. Site Map
2. Proposed Tentative Subdivision Plan
3. Project Cost Breakdown & Funding Sources
4. LAS2007-111 Louise Station Comprehensive Development (Attachments 1, 2 & 3 only)