

Enterprise Land Development Capital Funding

Administration is requesting that Council release the remainder of two capital profiles:

- CM-16-2010: Industrial-Commercial-Investment Land Development; and
- CM-16-2020: Residential/Mixed-Use Land Development.

Council approved \$4.83M of capital profile CM-16-2010 (Industrial-Commercial Investment Land Development) and \$11.1M of CM-16-2020 (Residential/Mixed-Use Land Development) on December 15, 2018 during City Council Budget Deliberations. Approval of the partial funding has enabled Administration to reduce risks to financial outcomes, minimize impacts to branch operations and will enable Enterprise land Development (“ELD” or the “program”) to complete the following projects:

- Goodridge Stage 1 and 2, including the business employment lands currently being developed as the Northwest Edmonton Police Service Campus and the Co-located Dispatch and Emergency Operations Centre sites;
- Construction completion to bring residential lots to market in Laurel 22 (the Meadows in Laurel); start residential lot sales in 2019, and complete required ongoing warranty work on the capital improvements;
- Required warranty work on capital improvements in Rampart Industrial;
- Payment of costs related to outstanding litigation in Southeast industrial; and
- Required warranty work on capital improvements in Laurel 10 (Laurel Green, which is already sold and built out).

The partial funding approved during budget deliberations does not fund all of the ELD’s outstanding contractual commitments, which total \$34M as of December 31, 2018¹ and does not fund all of it’s ongoing obligations, such as ongoing costs associated with environmental requirements as well as pumping and maintenance costs, and obligations required for regulatory compliance. However, this funding has allowed the program to maintain 2019 Operating Budget projections.

Administration is requesting that Council release \$34.8M, being the remainder of capital profile CM-16-2010 (Industrial-Commercial-Investment Land Development) and \$35.04M, being the remainder of capital profile CM-16-2020 (Residential/Mixed-Use Land Development). The capital profiles are funded from the ELD’s retained earnings and do not require funding from the municipal tax

¹ Due to November and December invoices and expenditures, the outstanding contractual commitment is reduced from \$37M presented to City Council in the 2018 budget deliberations.

base. Details of the ELD’s development plan and the proposed capital spend are outlined below. The program will also continue to evaluate and contribute to City building initiatives in alignment with Council’s priorities and Policy C511.

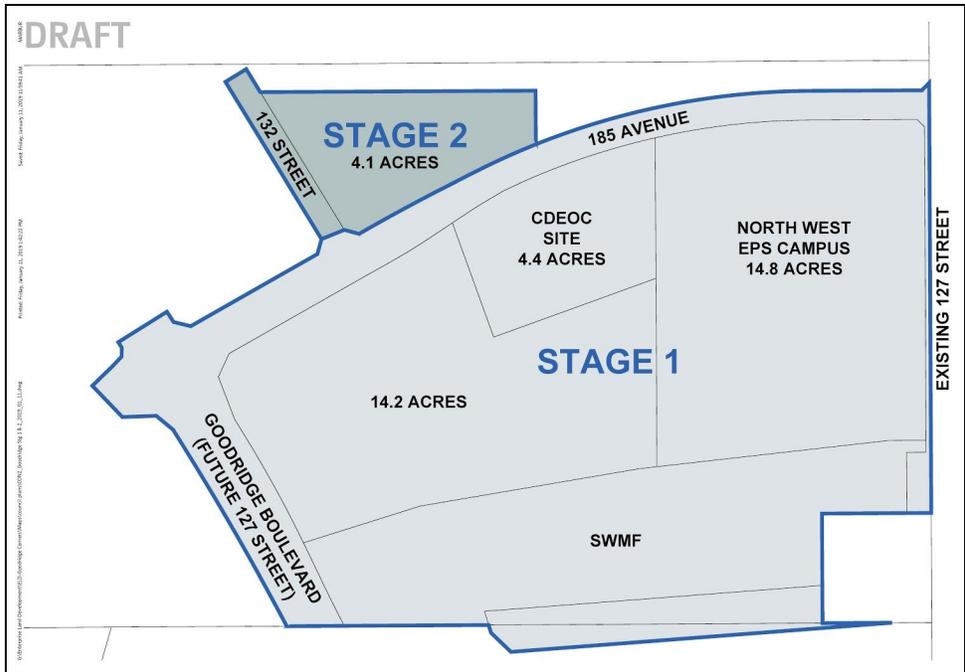
All development areas referenced in this Attachment reflect project specific areas planned to be developed in the current budget cycle and do not represent all of the ELD’s land holdings within a neighbourhood.

Industrial-Commercial-Investment Land Development (CM-16-2010)

The Industrial-Commercial-Investment Land Development capital profile (CM-16-2010) will fund ongoing capital investment in planning, engineering and site servicing to bring industrial-commercial lots to market. Through capital profile CM-16-2010, the program is planning to invest in capital infrastructure in industrial-commercial lands in Goodridge Corners, Rampart Industrial, and Southeast Industrial.

Goodridge Corners

Administration plans to complete construction and warranty work in Goodridge Corners, Stage 1 and 2, as identified in the below figure². Funding for this portion of the project was approved in the 2018 City Council Budget deliberations.



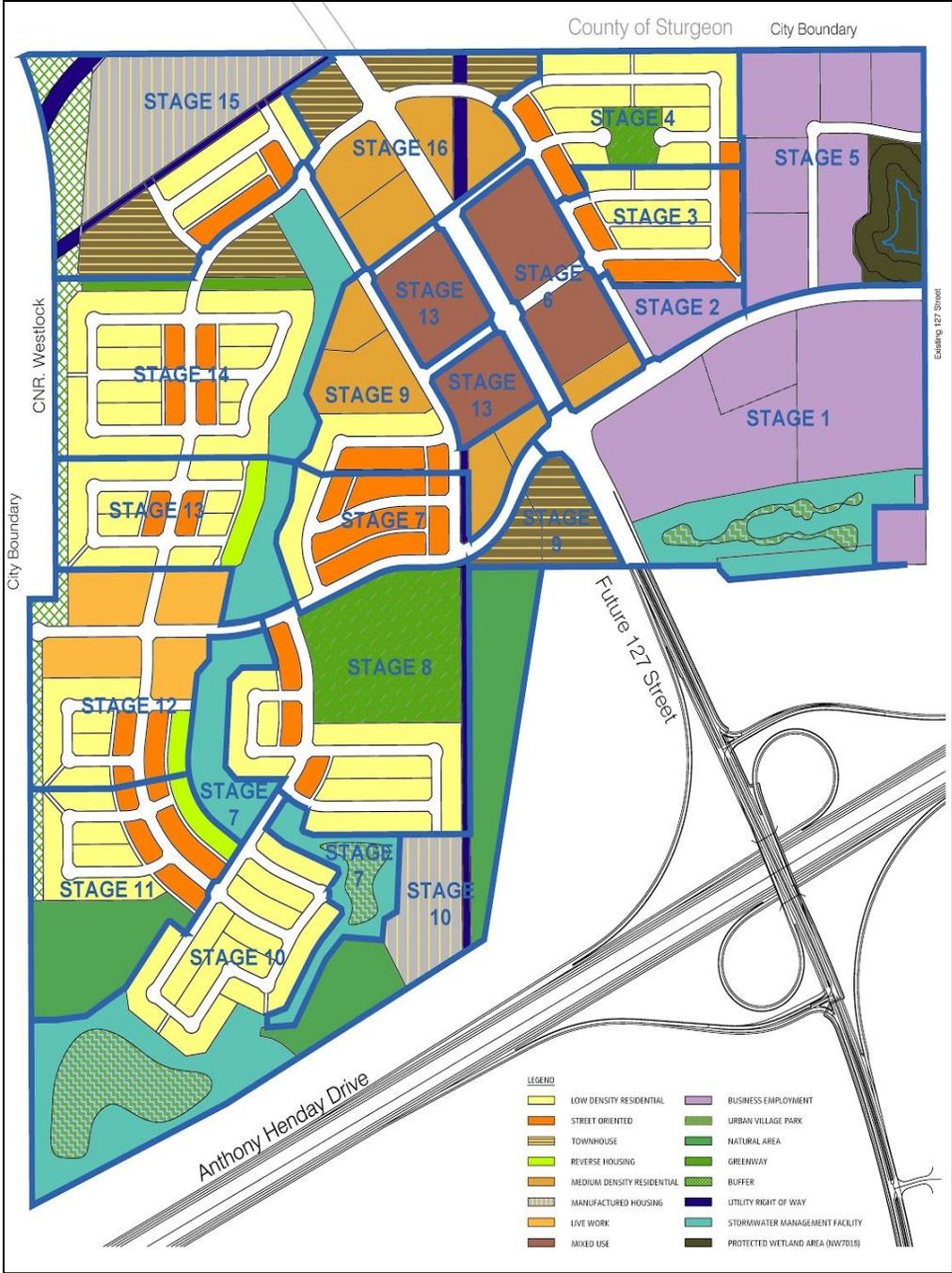
² All areas identified as approximate.

Once completed, this development project will have contributed to city building initiatives and expanded the City's tax base by:

- Providing 14.8 acres of serviced business employment land to EPS for the new Northwest Campus;
- Providing 4.4 acres of serviced business employment land to the Co-located Dispatch and Emergency Operations Center (CDEOC); and
- Developing an additional 14.2 acres of serviced business employment lands in Stage 1 and 4.2 acres in Stage 2.

Completing the servicing work in Goodridge Corners Stages 1 and 2 is an important first step in developing the east side of the Goodridge Corners neighbourhood. Stages 1 and 2 included significant front end servicing costs and servicing connections, from which future stages will benefit, particularly the remaining lands to the north of Stages 1 and 2 and east of the future 127 Street/Goodridge Corners Boulevard.

A possible future staging model³ for the Goodridge Corners Neighbourhood based on the existing Goodridge Corners Neighbourhood Area Structure Plans is shown in the below figure:



³ This identifies possible future staging, further refines prior staging models and is subject to change.

However, an amendment to the Goodridge Corners Neighbourhood Structure Plan is required before further development of land can occur. During the advancement of Stage 1, required changes to the shape and function of the SWMF as identified in the land use plan were identified, negotiated and constructed. Planning Coordination has advised that a land use plan amendment reflecting the updated SWMF lands must be approved before further land development activities can occur. Funding for the land use plan amendment was not included in the December 14, 2018 City Council Budget motion.

Administration will also propose additional land use plan amendments at this time. If the land use plan amendment is approved by City Council, Administration anticipates commencing residential mixed-use lot development for future stages during the 2019 - 2022 budget cycle. Funding for this work was not included in the December 14, 2018 City Council Budget motion. This work will continue into the next budget cycle.

While Administration does not have plans to develop the remaining 30 acres of future industrial commercial investment land in the 2019-2022 budget cycle, the overall projected profit margin⁴ for industrial commercial investment development land in Goodridge Corners is 40-50 percent, excluding Stage 1.

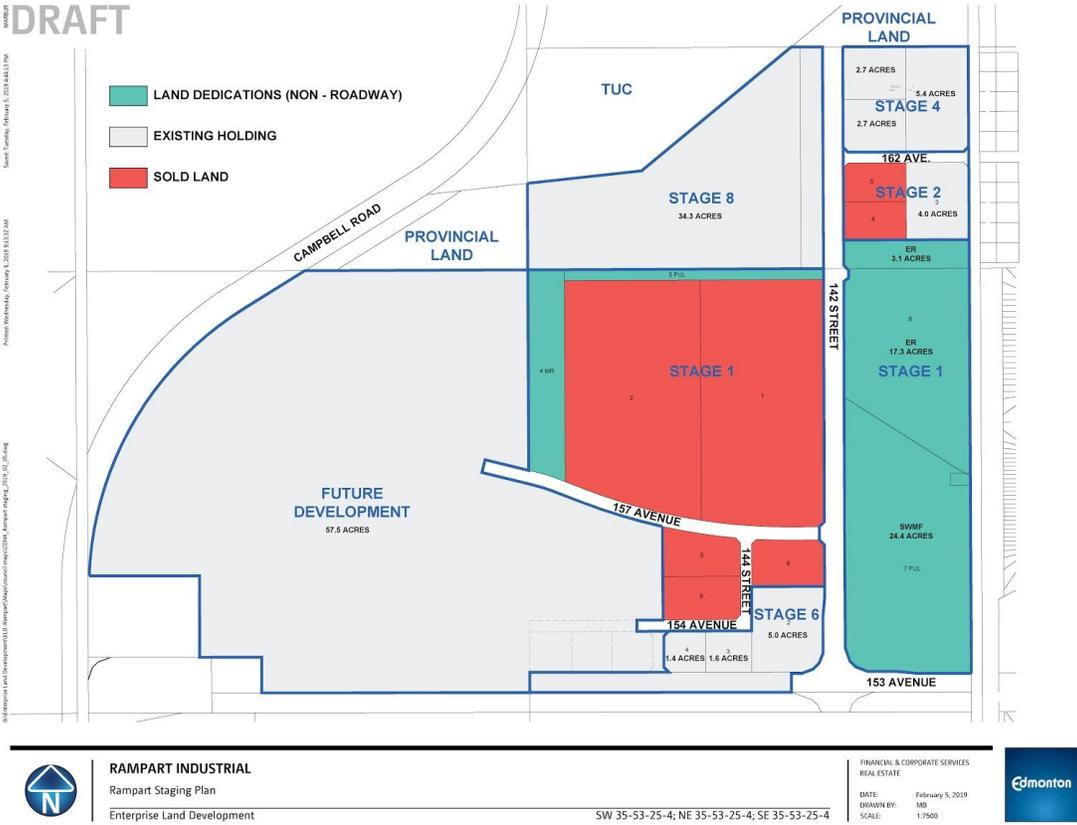
Rampart Industrial

Administration plans to complete warranty work in Rampart Industrial Stage 1, Stage 4 and Stage 6, as identified in the below figure. Funding for warranty work in Rampart Industrial Stage 1, Stage 4 and Stage 6 was approved in the December 14, 2018 City Council Budget motion. Funding for further work, as detailed below, in Rampart Industrial was not included in the December 14, 2018 City Council Budget Motion.

Administration will list Rampart Industrial Stage 8 as a large serviced industrial lot in Q2 of 2019. If Rampart Industrial Stage 8 does not sell as a large serviced industrial lot, Administration will develop the area into 21 smaller industrial serviced lots. Administration also intends to commence development on the future development area of Rampart in 2021 and 2022.

⁴ Notes:

1. All profit margins are estimated and influenced by external factors such as market conditions, levy rates, development costs and timelines.
2. All profit margins shown are final profit margins realized after all expenses, rebates, and recoveries have been received. This may differ from the profit margin identified at the time of lot sale since future recoveries cannot be accounted for at the time of lot sale.



Once completed and sold, Rampart Industrial Stage 1, 2, 4, 6 and 8 will have contributed at least 15 serviced industrial serviced lots and approximately 119 acres of serviced industrial land to the City’s tax base. Ongoing land development activity in the Rampart Industrial area also ensures a continuous supply of serviced industrial land is available for investment in the northwest quadrant of the City. Administration plans to complete future development in Rampart in future budget cycles further contributing to the City’s regional prosperity.

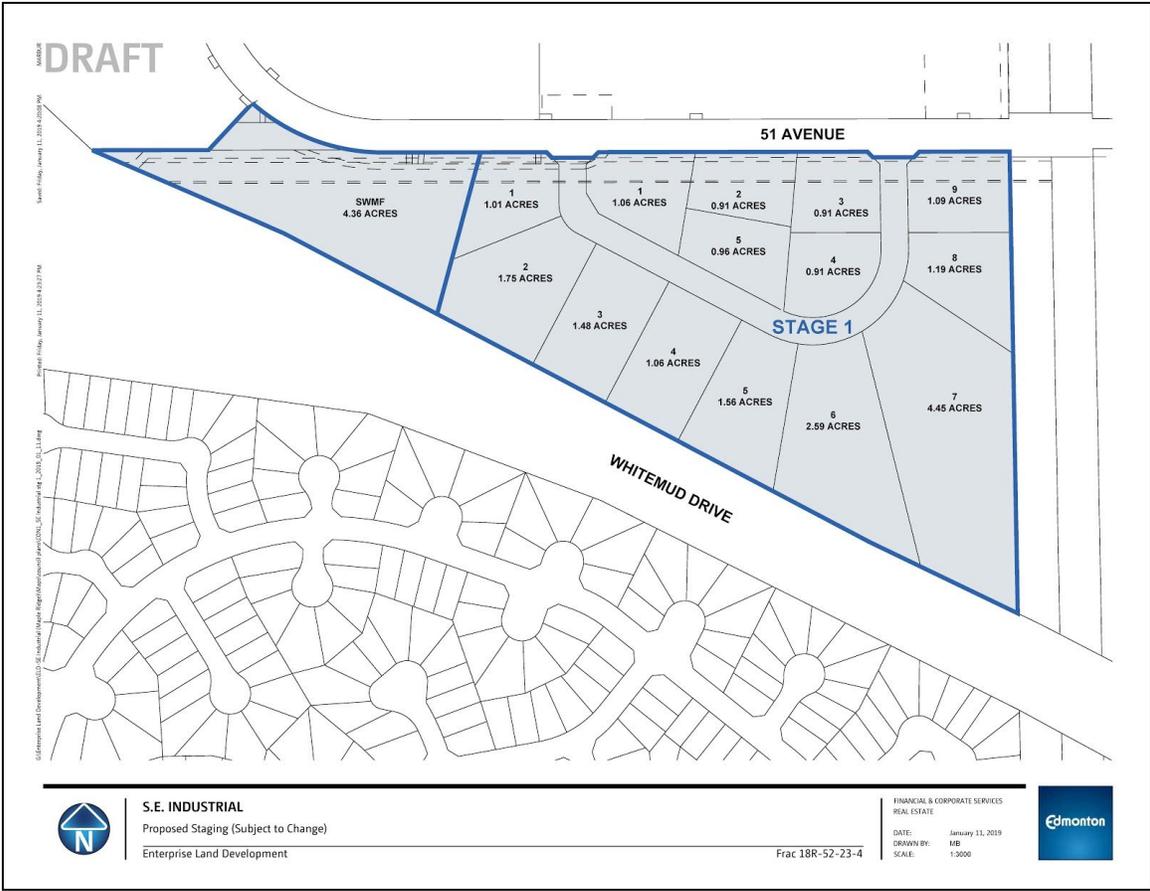
The development activities in Rampart Industrial support climate resilience in a few ways. Buyers of these lots are required to achieve Leadership in Energy and Environmental Design (LEED) Certification in their built form. Development activities have also reduced the development’s carbon footprint compared to a traditional industrial development by including enhanced methods for treating stormwater runoff and improving surrounding natural areas. For example, administration constructed a bioswale, amphibian crossing, and a naturalized stormwater management facility (NSWMF) in Stage 1. The NSWMF is intended to function as a natural wetland while protecting against flooding for up to the 100 year storm. Ongoing monitoring shows that the NSWMF provides equal or

greater ecological benefit when compared to the surrounding high value undisturbed wetlands.

The projected profit margin for Rampart Industrial is 20-30 percent.

Southeast Industrial

Administration plans to construct a SWMF to comply with an Alberta Environment obligation⁵ and complete the design and development of a 14 lot subdivision in Southeast Industrial in the 2019-2022 budget cycle, as identified in the below figure. Sales of these industrial lots are planned to commence in 2022. Funding for this work was not included in the December 14, 2018 City Council Budget motion.



Once completed and sold, ELD’s development in Southeast Industrial will have contributed 14 serviced industrial lots and approximately 21 acres of serviced industrial land to the City’s tax base. Continued investment in development

⁵ Complying with Alberta Environment’s requirements will be a mandatory obligation and will need to be reviewed if City Council does not fund continued development in SE Industrial.

activities in Southeast Industrial also ensures a supply of serviced industrial land is available for investment in the southeast quadrant of the City, when an existing ELD holding, an industrial lot in Roper Industrial, is sold.⁶ In future budget cycles, Administration plans to commence development activities on ELD's land holdings in Ellerslie Industrial.

This 14 lot subdivision is the second phase of ELD's development in Southeast Industrial. In the first phase, ELD constructed a portion of 51st Avenue and catalyzed private development. By constructing a portion of 51st Avenue, ELD created an opportunity for the development of approximately 22.5 acres of privately owned industrial land. Approximately 15.2 acres of this privately owned industrial land has since been developed.

The development activities in Southeast Industrial continue to support climate resilience by requiring buyers to achieve Leadership in Energy and Environmental Design (LEED) Certification in their built form. This development also includes the creation of a NSWMF, which will replace existing low value wetlands that will be disturbed as part of this development.

The projected profit margin for Southeast Industrial is 10-30 percent.

Residential / Mixed-Use Land Development (CM-16-2020)

The Residential / Mixed-Use Land Development capital profile (CM-16-2020) will fund ongoing capital investment in planning, engineering and site servicing to bring residential and mixed-use lands to market. Through capital profile CM-16-2010, the Program is planning to invest in capital infrastructure in residential-mixed-use lands in the neighbourhoods of Laurel, Schonsee and Goodridge Corners. The Program is also planning to advance a plan amendment in relation to a land holding in the Aster neighbourhood. The funding approved by City Council on December 14, 2018 only allows for construction completion and associated warranty work in Laurel 22. It does not fund development in Schonsee and Goodridge corners, as outlined below.

As detailed in Attachment 5, the Program relies on consistent profits generated from low density residential lot sales to support other development activities, such as industrial lot development, which typically achieve smaller returns on investment, take longer to sell and require a longer period before infrastructure recoveries are received.

⁶ Administration is finalizing and intends to sell a partially serviced 7 acre lot in Roper Industrial by 2020. This lot was developed during the prior budget cycle.

Laurel

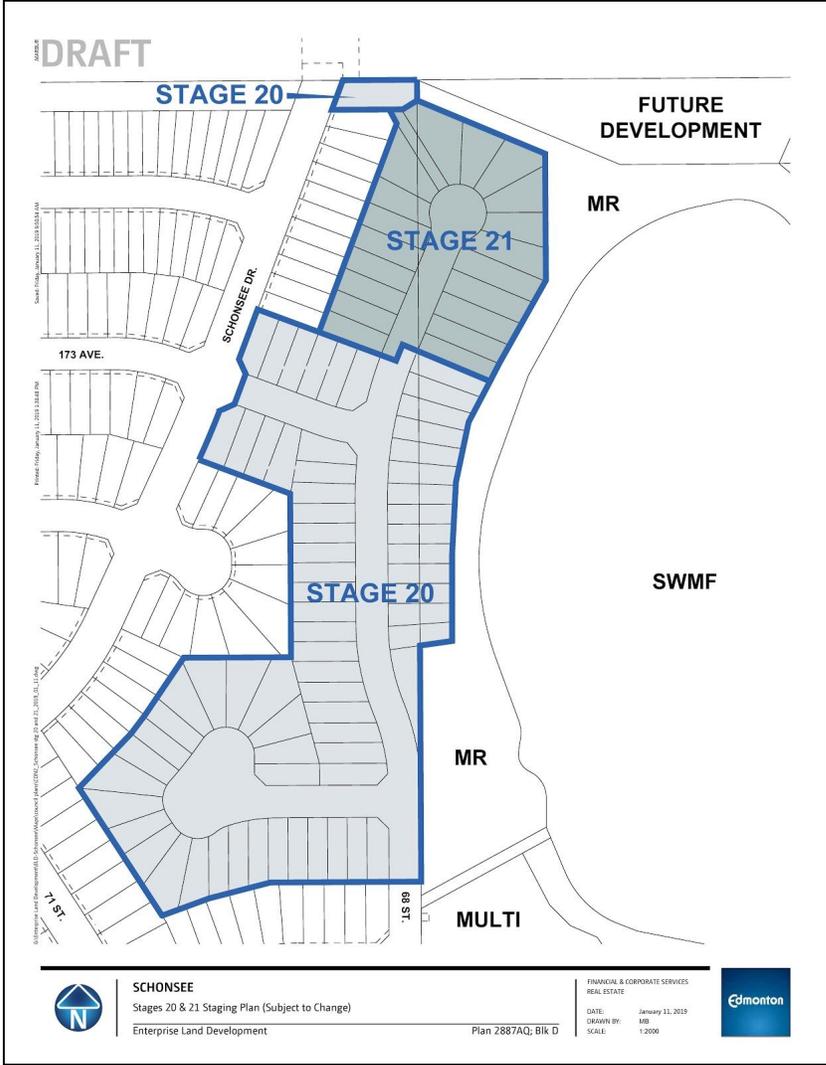
In the Laurel neighbourhood, Administration is planning to finish construction of a 304 residential lot subdivision, as identified in the below figure, in 2019. Lot sales of these residential lots will begin in 2019 and will continue through the 2019 - 2022 budget cycle. ELD anticipates listing approximately 75 lots (approximately half of Stage 22A) in 2019 and plans to sell approximately 75 lots annually in the 2019 - 2022 budget cycle. The warranty period on capital infrastructure will also continue through the 2019-2022 budget cycle.



The projected profit margin for this subdivision in Laurel is 25-35 percent.

Schonsee

In the Schonsee neighbourhood, Administration is planning to complete detailed design work, sign a servicing agreement and commence construction on two stages (Stage 20 and 21), totaling around 85 residential lots, as outlined in the below figure. Administration anticipates that lot sales will begin at the end of the budget cycle in 2022 and will continue into 2023. Administration intends to commence planning and preliminary engineering work for the future stages of residential development for ELD-owned land in Schonsee during the 2019-2022 budget cycle.



The Program has provided additional value through its land development activities in Schonsee by joining the 66 Street Basin Owners Group (BOG) and catalyzing private development in the area. The Program’s participation in the BOG helped fund \$20 million of infrastructure required to service large portions of the Pilot Sound and Lake District neighbourhoods. Without the Program’s

contribution, development would have proceeded at a much slower rate and would have relied on interim-servicing solutions.

The projected profit margin for ELD's residential land development in Schonsee is 20-30 percent for the stages developed in the 2019-2022 budget cycle. The projected profit margin for future stages, which are east of the stormwater management facility and planned to be developed in future budget cycles, is 25-40 percent.

Goodridge Corners

In the Goodridge Corners neighbourhood, Administration will advance a plan amendment and complete detailed planning, engineering and design work for the first stages of residential lot development in the 2019-2022 budget cycle. This work will complement the construction and warranty work to be completed on the industrial commercial lot development in stages 1 and 2 of the Goodridge Corners neighbourhood. A possible future staging plan for Goodridge Corners was shown above. The projected profit margin for the residential-mixed use lot development in Goodridge Corners is 40-50 percent. Full build out is not expected to occur until 2045 or later.