

Land Enterprise

Introduction

Mandate: Land Services through the Land Enterprise area plays a critical role in supporting efforts to transform Edmonton through their involvement in projects including the Blatchford (City Centre Airport) redevelopment, Oxford and Goodridge Corners residential development, and Rampart industrial development, which each advance multiple Council-approved objectives. These objectives include those outlined in The Way We Grow, The Way We Green, The Way We Live, The Way We Finance and The Way We Prosper. These are achieved through their involvement in innovative land developments, marketing of developed land to the public, development and marketing of the City's industrial land and the generation of revenue for the City of Edmonton.



Land Development operates on a continuous cycle with respect to its land development activities. Land for development is acquired, it is serviced and sold in a manner consistent with private sector land development processes and with the objectives outlined in "The Ways". Retained profits fund ongoing servicing and acquisition of land for further development, when justified. When a new development project is considered, a strategy is developed which addresses, among other things, a staging plan and schedule, sustainability, servicing, financing requirements and marketability. Land Enterprise also works to create opportunities for neighbouring developers by front-ending

costs to encourage development to happen sooner, construction of a storm water pond as part of the Schonsee development is a recent example of this. Activities within the Land Enterprise operation includes acquisition of lands for municipal purposes, reviews of all properties within the municipal operations portfolio which have been deemed surplus to Civic requirements in order to maximize value or benefit to the City through sale, long term lease or exchange.

Blatchford Development envisages a world-leading, family oriented, sustainable community of up to 30,000 citizens in the heart of Edmonton, on the City Centre Airport lands. This program will initiate the implementation of the ARP with the goal of starting construction in the first stages of 2014.

The Land for Municipal Purposes program acquires land for municipal capital projects and is supported through the Corporate Properties Real Estate services with appraisals, acquisition and planning - size of program is based on approved capital budget program.



While the work of Land Enterprise addresses all six City goals, Land Enterprise services are integral to Ensuring Edmonton's Financial Sustainability (The Way We Finance).

Land Enterprise

Approved 2014 Budget - Branch Summary (\$000)

Land Enterprise	2012 Actual	2013 Budget	2014 Budget	\$ Change '13-'14	% Change '13-'14
Revenue & Transfers					
Land Sales Residential	\$ 2,958	\$ 14,899	\$ 17,693	\$ 2,794	18.8
Land Sales Industrial	41,274	14,085	49,302	35,217	250.0
Blatchford Revenue	4,227	2,876	1,329	(1,547)	(53.8)
Other Revenue	205	100	100	-	-
Total Revenue & Transfers	48,664	31,960	68,424	36,464	114.1
Expenditure & Transfers					
Cost of Land Sold - Residential	1,961	11,679	13,197	1,518	13.0
Cost of Land Sold - Industrial	12,035	8,251	41,835	33,584	407.0
Cost of Land - For Municipal Use	24,855	86,375	79,635	(6,740)	(7.8)
Personnel	1,778	2,341	2,379	38	1.6
Materials, Goods & Supplies	11	55	42	(13)	(24.0)
External Services	6,774	2,227	2,364	137	6.2
Intra-municipal Services	577	2,601	2,914	314	12.1
Utilities & Other Charges	742	989	549	(440)	(44.5)
Transfer to Reserves	2,434	1,375	-	(1,375)	(100.0)
Subtotal	51,167	115,892	142,915	27,023	23.3
Intra-municipal Recoveries	(23,512)	(86,375)	(79,635)	6,740	(7.8)
Total Expenditure & Transfers	27,656	29,517	63,280	33,763	114.4
Net Income (Loss)	\$ 21,008	\$ 2,443	\$ 5,144	\$ 2,701	110.5
Full Time Equivalents	23.5	23.0	23.0	-	

Note: Belvedere Community Revitalization Levy Requirements are captured in the CRL section of the budget.



Land Enterprise

Budget Changes for 2014

(\$000)

Revenue & Transfers - Changes

Land Sales Residential \$ 2,794

Increase due to developed residential lots available and ready for market in Schnosee and Laurel.

Land Sales Industrial \$ 35,217

Increase due to more available serviced industrial land inventory in Ellerslie, Maple Ridge, Place laRue, Rampart and Goodridge Corner.

Blatchford Revenue \$ (1,547)

Decrease due to a decline in lease revenue at Blatchford resulting from expropriation of property rights and termination of leases to implement Area Redevelopment Plan.

Expenditures & Transfers - Changes

Cost of Land Sold - Residential \$ 1,518

The increase is due to higher residential sale projections for 2014.

Cost of Land Sold - Industrial \$ 33,584

The increase is due to increase in industrial land sale projections.

Cost of Land - For Municipal Use \$ (6,740)

The increase is due to planned land acquisitions for approved City projects including LRT and finalization of expropriations related to transportation projects.

Personnel \$ 38

The increase is due to movements within salary ranges and changes in benefits.

Material, Goods & Supplies \$ (13)

The decrease is due to realignment of budget.

External Services \$ 137

An increase of \$337 is expected for sales commissions related to increased industrial land sales offset by a \$200 decrease in advertising for Blatchford project office.

Intra-municipal Services \$ 314

Increase of \$194 is related to reallocation of budget and increases for internal corporate support services. Increase of \$120 is due to increased demand for business planning needs for land development.

Utilities & Other Charges \$ (440)

The decrease is due to reduction in utilities related to expropriated properties at Blatchford.

Transfer to Reserves \$ (1,375)

The decrease is due to a decline in net property income related to property lease revenue resulting from expropriation of property rights at Blatchford .

Land Enterprise

Approved 2014 Budget – Program Summary

(\$000)

Program Name - Land Development

[Link to 10-Year Strategic Goals](#)



Results to be Achieved

Development and redevelopment of land for residential, commercial and industrial purposes in a manner consistent with the goals, objectives and policies of "The Ways". Industrial and commercial land development supports the business development goals while residential development projects support various housing and environmental objectives.

Cost Drivers

Construction price index increases (cost of land, consulting and capital infrastructure servicing).

Increased public engagement.

Volatile market conditions and demands for specific development products.

Competition with private sector developers and surrounding municipalities.

Service Standards

New development projects are analyzed through a proforma that considers staging plans, scheduling, servicing, financial expenditure requirements, marketability and the financial return to Land Enterprise Fund and dividend returned to the City. The City works to establish opportunities for other developers through initial investments and development projects. This program also supports the redevelopment of surplus school sites.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 44,437	\$ 39,624	\$ 29,084	\$ 67,095
Expenditure & Transfers	19,064	24,060	23,825	59,605
Subtotal	25,373	15,564	5,259	7,490
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ 25,373	\$ 15,564	\$ 5,259	\$ 7,490
Management		1.0	1.0	1.0
Professional/Technical/Union Exempt		1.0	1.0	1.0
Union		13.0	13.0	13.0
Temporary		-	-	-
Full - Time Equivalents		15.0	15.0	15.0

2013 Services

Land Development Services, including project management, planning, design and engineering.

Changes in Services for 2014

Additional stages of residential and commercial/industrial land development.

New land development projects for 2014 include Goodridge Corners (residential and commercial/industrial), Laurel (residential) and Maple Ridge (commercial/industrial).

Land Enterprise

Approved 2014 Budget – Program Summary (\$000)

Program Name - Blatchford Community Development

Link to 10-Year Strategic Goals



Results to be Achieved

The implementation of the Blatchford Redevelopment project will create an environmentally, socially and financially sustainable community for 30,000 people in the heart of Edmonton.

Cost Drivers

Development concept consulting services
Legal support for expropriation and land acquisitions.

Service Standards

Implementation of the Council-approved Blatchford redevelopment plan.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ 4,227	\$ 4,000	\$ 2,876	\$ 1,329
Expenditure & Transfers	8,592	8,031	5,692	3,676
Subtotal	(4,365)	(4,031)	(2,816)	(2,346)
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ (4,365)	\$ (4,031)	\$ (2,816)	\$ (2,346)
Management		1.0	1.0	1.0
Professional/Technical/Union Exempt		4.5	4.0	4.0
Union		3.0	3.0	3.0
Temporary		-	-	-
Full - Time Equivalents		8.5	8.0	8.0

2013 Services

Detailed design, planning and project management services to support ongoing redevelopment.
Financial forecasting and modelling.
Internal and external project communication and liaison with stakeholders.
Ongoing land assembly through expropriation.
Detailed financial forecasting and modelling to ensure capital costs are accurately provided and projected.

Changes in Services for 2014

Construction phase of the redevelopment project scheduled to commence in 2014.
Increased public engagement.
Future business case will be presented to Council for approval.

Land Enterprise

Approved 2014 Budget – Program Summary (\$000)

Program Name - Land for Municipal Purposes

[Link to 10-Year Strategic Goals](#)



Results to be Achieved

The Land for Municipal Purposes program is a flow-through account for land acquisition, that is required for the various City Council-approved municipal projects where departments have funded capital profiles, for example land acquisition for LRT flows through this program.

Cost Drivers

Increasing values for land and higher expropriation costs.

Short time-lines to acquire needed lands drives up costs.

Service Standards

The Property Acquisition section strives to acquire land required for approved municipal projects on time and within budget through negotiated purchases or the use of expropriation where supported by City Council.

Resources (\$000)	2012 Actual	2012 Budget	2013 Budget	2014 Budget
Revenue & Transfers	\$ -	\$ -	\$ -	\$ -
Expenditure & Transfers	24,855	75,000	86,375	79,635
Subtotal	24,855	75,000	86,375	79,635
Intra-municipal Recoveries	(24,855)	(75,000)	(86,375)	(79,635)
Net Operating Requirement	\$ (0)	\$ -	\$ -	\$ -
Management		-	-	-
Professional/Technical/Union Exempt		-	-	-
Union		-	-	-
Temporary		-	-	-
Full - Time Equivalents		-	-	-

2013 Services

Required land purchases for City Council approved projects.

Required land expropriation for City Council approved projects.

Changes in Services for 2014

Increased volume of work due to larger number of complex files but have less overall dollar value.

Land Enterprise

Pro-Forma Income Statement - Consolidated Land Enterprise (\$000)

	2014 Projection	2015 Projection	2016 Projection	2017 Projection	2018 Projection
Revenues					
Land Sales	\$ 66,995	\$ 58,602	\$ 58,389	\$ 66,915	\$ 56,437
Cost of Land Sold	55,032	46,735	35,795	59,843	38,591
Gross Margin	11,963	11,867	22,594	7,071	17,846
1 Gross Margin %	18%	20%	39%	11%	32%
3 Blatchford Revenue	1,329	1,329	1,329	1,329	1,329
Other Revenue	100	100	100	102	104
Net Revenues	13,392	13,297	24,023	8,503	19,280
Expenditures					
3 Cost Of Land Transferred - City Use	79,635	31,414	21,212	42,993	31,245
Personnel	2,379	2,409	2,463	2,513	2,563
Materials, Goods & Supplies	42	42	42	42	43
External Services	2,364	2,790	2,449	2,481	2,513
Intra-municipal Services	2,914	2,914	2,562	2,614	2,666
Utilities & Other Charges	549	549	549	363	274
Subtotal	87,883	40,118	29,277	51,006	39,304
3 Intra-Municipal Recoveries - Land Transfer	(79,635)	(31,414)	(21,212)	(42,993)	(31,245)
Net Expenditures	8,248	8,704	8,065	8,013	8,059
Net Income	5,144	4,592	15,958	491	11,221
Retained Earnings, Beginning of Year	152,258	156,088	158,807	173,030	169,031
4 Dividends Payable to General Government	(1,315)	(1,873)	(1,736)	(4,490)	(586)
Retained Earnings, End of Year	\$ 156,088	\$ 158,807	\$ 173,030	\$ 169,031	\$ 179,666

Note: Pro-forma Income Statements exclude activities related to Belvedere CRL. These are reported in the CRL section of the Budget document.

Explanatory Notes

- 1 Gross margin for external land sales has been restated to reflect revised development activities and is expected to average 23% over the proforma period. Margins fluctuate depending on timing of land development and projected sales including absorption and market trends. The cost of land sold excludes carrying charges and opportunity costs.
- 2 In July 2010, the City of Edmonton signed an agreement with Edmonton Regional Airports Authority for a partial surrender of the airport lease. As a result of this agreement, the City of Edmonton has assumed some of the lease agreements and will be responsible for the City Centre Airport operating revenues and expenses. The anticipated lease revenues and user fees and the operating expenses are included in the budget figures. In October 2012, City Council has approved the commencement of the expropriation process to acquire the remaining property rights within Blatchford development area. Council voted September 18, 2013 for Edmonton Regional Airport Authorities to take all necessary steps for closure of the Edmonton City Center Airport, effective November, 30, 2013. The projected revenues and expenditures do not reflect any land development costs or associated sales and are anticipated to change once the strategies and development plans are finalized.
- 3 Land acquisition and transfer of land for City use is based on current information for approved capital projects in the Capital Budget System, expected settlement of expropriations, and repayment of strategic land acquisition for other City departments.
- 4 Dividend payable to the City of Edmonton is based on 25% of the net income of land development activities of the preceding year excluding any net income or net loss from Belvedere CRL, Blatchford and municipal land transfers.

Land Enterprise

Pro-Forma Balance Sheets - Consolidated Land Enterprise (\$'000)

	2014 Projection	2015 Projection	2016 Projection	2017 Projection	2018 Projection
Financial Assets					
Accounts Receivable	\$ 2,373	\$ 1,902	\$ 2,096	\$ 2,605	\$ 2,280
1 Land for Resale	205,231	222,393	224,704	225,467	229,718
Total Assets	207,604	224,295	226,800	228,073	231,998
Liabilities					
2 Accounts Payable and Accrued Liabilities	27,656	18,096	8,099	13,185	9,934
3 Due to the City of Edmonton	166,269	166,034	147,796	127,093	114,991
Total Liabilities	193,925	184,130	155,895	140,278	124,924
Net Financial Assets (Net Debt)	13,679	40,165	70,905	87,794	107,074
Non Financial Assets	142,409	118,642	102,125	81,237	72,592
Equity					
4 Retained Earnings - Unrestricted	162,433	167,503	183,727	181,583	194,022
5 Retained Earnings - Blatchford Deficit	(6,345)	(8,695)	(10,697)	(12,552)	(14,356)
Total Retained Earnings	\$ 156,088	\$ 158,807	\$ 173,030	\$ 169,031	\$ 179,666

Note: Proforma Balance Sheets exclude activities related to Belvedere CRL. These are reported in the CRL section of the Budget document.

Explanatory Notes

- Land for resale includes the original acquisition cost of undeveloped land plus any servicing costs that are incurred. Through the capital budget, City Council approves funding for servicing of residential and industrial land. These costs are captured as part of the cost of land when it is subsequently sold. When sold, total costs incurred to bring the land to market are included in the Cost of Land Sold on the Income Statement.
- Accounts Payable and Accrued Liabilities is primarily an estimate related to outstanding development costs for work completed by a year end.
- Due to the City Edmonton reflects a cash shortfall position. Land Enterprise is expected to experience a modest improvement in its cash position over the next few years. The balance is comprised of strategic land purchases for City departments where capital funding is not in place to pay for land, expropriations for property rights as approved by council and cash required for the investment and land servicing cycle related to industrial and residential land development.
- Unrestricted retained earnings represent the accumulated profits from the land development operations of Land Enterprise. Retained earnings is invested in land inventory.
- Retained earnings restricted for Blatchford represent the cumulative net position related to the Project office. The cumulative shortfall will be funded by Land Enterprise's retained earnings. Amounts related to initial approved investments, including leasehold interests, are reflected in the asset balances.