

Land Enterprise

Introduction

Land Development

Mandate: Land Services Section undertakes land development for resale. Activities include developing lots for residential, industrial, commercial and mixed uses. Land Services focuses on achieving the vision and outcomes established by City Council while contributing to Sustainable Development's City-Building strategic priorities.

Land Services manages a portion of the Land Enterprise fund for land development purposes. The fund's primary objective is to generate revenue in accordance with City policies C511 and C-516B. Retained earnings are used to fund land acquisition and development in addition to providing a return of 25% dividend to the City.

Land Enterprise contributes to *The Way Ahead*, and related six Ways plans, advancing Council-approved strategic objectives while striving to enhance citizens' lives and to build Edmonton's global reputation. This is accomplished through:

- Involvement in innovative land developments.
- Marketing of developed lots.
- Incorporation of sustainability requirements in sales agreements.



Land Services manages a continuous development cycle similar to that employed by the private land development sector. This cycle includes acquisition, servicing, marketing and resale. New projects use land development proforma to evaluate costs, market timing, consumer choice and project staging and are reevaluated on an annual basis.

Land Services creates opportunities for neighbouring private-sector developers by front-ending infrastructure costs. A recent example is the construction of 91 street to facilitate neighbouring industrial development near the

Land for Future Municipal Purposes



Mandate: The Property Acquisition Section manages a portion of the Land Enterprise fund for the Land for Municipal Purposes program. The program provides land for municipal needs on the basis of approved capital budget profiles.

In addition, when municipal property is deemed surplus, a review is conducted to maximize benefit and financial return to the City, through value-added servicing, sale, long-term lease and/or exchange.

Council direction (September 23, 2014) to Administration to report back on a business plan for a Municipal Development Corporation may impact the Land Enterprise budget and require a budget adjustment or variance in the four year cycle.

Land Development

Approved 2015 Budget – Branch Summary

Land Development (\$000)	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
Revenue & Transfers					
Land Sales - Residential/Mixed Use	9,072	17,693	20,470	2,777	16%
Land Sales - ICI	35,722	49,302	48,333	(969)	-2%
Other Revenue	180	100	100	-	0%
Total Revenue & Transfers	\$44,974	\$67,095	\$68,903	\$1,808	3%
Expenditure & Transfers					
Cost of Land Sold - Residential/Mixed Use	6,930	13,197	8,946	(4,251)	-32%
Cost of Land Sold - ICI	27,736	41,835	39,974	(1,861)	-4%
Personnel	1,266	1,388	1,344	(44)	-3%
Materials, Goods, and Supplies	6	18	18	-	0%
External Services	244	855	843	(12)	-1%
Intra-municipal Charges	2,123	2,283	2,614	331	15%
Utilities & Other Charges	6	28	25	(3)	-11%
Subtotal	38,311	59,604	53,764	(5,840)	-10%
Intra-municipal Recoveries	-	-	-	-	0%
Total Expenditure & Transfers	\$38,311	\$59,604	\$53,764	(\$5,840)	-10%
Net Income (Loss)	\$6,663	\$7,491	\$15,139	\$7,648	
Full-time Equivalents	15.0	15.0	15.0	-	



Rampart

Land Development

Budget Changes for 2015

(\$000)

Revenue - Changes

Land Sales - Residential/Mixed Use \$2,777

Increase due to increased sales projections for 2015.

Land Sales - ICI (\$969)

Decrease due to decreased sales projections for 2015.

Expenditures - Changes

Cost of Land Sold - Residential/Mixed Use (\$4,251)

Decrease due to lower book value of land sales.

Cost of Land Sold - ICI (\$1,861)

Decrease due to decreased sales projections for 2015.

Personnel (\$44)

Decrease due to step adjustment.

External Services (\$12)

Decrease in commissions due to reduction in sales.

Intra-municipal Services \$331

Increase mainly due to methodology change to include overhead charges.

Utilities & Other Charges (\$3)

Decrease due to minor administrative and utility charges.

Land Development

Approved 2015 Budget – Program Summary

Program Name - Land Development



Link to 10-Year Strategic Goals

Results to be Achieved

Industrial commercial institutional and residential/mixed-use land development is achieved, in a manner consistent with private sector land development activities, to further "The Ways" strategic objectives. ICI projects support economic development initiatives. Residential projects support sustainable development and affordable housing initiatives.

Cost Drivers

Market Competition - increasing land values and shorter holding periods reduce profit.

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

Service Standards

Land Enterprise balances the focus of a for-profit land developer with opportunities to achieve multiple outcomes to support City-building. Historically Land Enterprise has simultaneously supported Corporate Real Estate municipal initiatives while delivering land development activities that returns a dividend to subsidize tax levy operations. Currently, affordable residential lots are developed while striving to achieve sustainable objectives that support City policies and plans. Achieving long-term strategic objectives may increase short-term costs or reduce revenue, with resultant lower dividend.

Resources (\$000)	2013 Actual	2013 Budget	2014 Budget	2015 Budget
Revenue & Transfers	\$ 44,974	\$ 31,960	\$ 67,095	\$ 68,903
Expenditure & Transfers	38,311	29,517	59,604	53,764
Subtotal	(6,663)	(2,443)	(7,491)	(15,139)
Intra-municipal Recoveries	-	-	-	-
Net Operating Requirement	\$ (6,663)	\$ (2,443)	\$ (7,491)	\$ (15,139)
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

2014 Services

Industrial-Commercial-Institutional (ICI) development contributes to the Industrial Land Strategy and *The Way We Prosper* - Diversify Edmonton's Economy. Projects invest in infrastructure to facilitate private development and create industrial lots to increase industrial land supply to support the strategic objective of enhancing Edmonton's economic prosperity.

Residential/Mixed-Use development contributes to *The Way We Grow* - Transform Edmonton's Urban Form, focused primarily on:

- Increasing residential suburban density
- Promoting sustainable lifestyles (Energuide and Solar-ready requirements incorporated into sales agreements)
- Facilitating complete, healthy and livable communities (creating naturalized greenspace and public amenities)

Changes in Services for 2015

ICI and residential/mixed-use to include:

- Laurel construction completion - approximately 200 residential lots and neighbourhood stormwater pond.
- Servicing of Goodridge Corners Edmonton Police Service campus and business-employment land servicing.
- Construction commencement of Ellerslie Industrial - 15 industrial lots.
- Land acquisition of raw land for future industrial development.

Land Development

Pro-Forma Income Statement - Land Development

(\$000)		2015	2016	2017	2018	2019
		Projection	Projection	Projection	Projection	Projection
Revenues						
	Land Sales	\$ 68,803	\$ 46,434	\$ 45,177	\$ 44,518	\$ 37,524
	Cost of Land Sold	48,920	36,606	34,429	36,817	27,660
	Gross Margin	19,883	9,828	10,748	7,701	9,865
1	Gross Margin %	29%	21%	24%	17%	26%
	Other Revenue	100	100	102	104	106
	Net Revenues	19,983	9,928	10,850	7,805	9,971
Expenditures						
2	Personnel	1,344	1,371	1,398	1,426	1,455
	Materials, Goods & Supplies	18	18	19	19	19
	External Services	843	575	587	598	610
	Intra-municipal Services	2,614	2,356	2,354	2,401	2,449
	Utilities & Other Charges	25	26	26	27	27
	Net Expenditures	4,844	4,346	4,384	4,471	4,560
3	Net Income	15,139	5,582	6,466	3,334	5,410
	Retained Earnings, Beginning of Year	163,416	175,895	177,692	182,762	184,479
4	Dividends Payable to General Government	(2,660)	(3,785)	(1,396)	(1,617)	(834)
5	Retained Earnings, End of Year	\$ 175,895	\$ 177,692	\$ 182,762	\$ 184,479	189,056

Note: Pro-forma Income Statements exclude activities related to Blatchford Community Development. These are reported in a separate Budget document.

Explanatory Notes

- Gross margin for external land sales has been restated to reflect revised development activities and is expected to average 24% over the proforma period. Margins fluctuate depending on timing of land development and projected sales including absorption and market trends.
- Operations are impacted by redevelopment projects and City initiatives, as Land Enterprise staff contribute their expertise to City-building projects. This contribution may impact Land Enterprise net income and dividend.
- Net income from land development may be proportionately lower than industry due to the following:
 - When land development for resale is diverted to meet City operational requirements Land Enterprise forgoes profit opportunity as the land is transferred to the operating department at book value.
 - Land Enterprise develops affordable lots, priced lower than average market rates, in accordance with Land
 - Land Enterprise invests in infrastructure to facilitate private sector development.
- Dividend payable to the City of Edmonton is based on 25% of the net income of land development activities of the preceding year. Over the past ten years, Land Enterprise has paid \$44M to the City.
- Retained Earnings represents accumulated profit of Land Enterprise that has been reinvested to grow the land development asset base and facilitate ongoing operations. Land development earned income (revenues in excess of expenses) have additionally been used historically to return dividend to the City, reduce City debt, and invest in municipal real estate.

Land Development

Pro-Forma Balance Sheets - Land Development

(\$000)		2015 Projection	2016 Projection	2017 Projection	2018 Projection	2019 Projection
Financial Assets						
	Accounts Receivable	\$ 2,105	\$ 2,078	\$ 2,375	\$ 2,208	\$ 560
1	Land Inventory	191,000	209,854	220,832	238,950	211,684
	Total Assets	193,105	211,932	223,207	241,158	212,244
Liabilities						
2	Accounts Payable and Accrued Liabilities	13,979	11,372	9,009	6,089	641
3	Due to the City of Edmonton	3,231	22,868	31,436	50,590	22,547
	Total Liabilities	17,210	34,240	40,445	56,679	23,188
	Net Financial Assets (Net Debt)	175,895	177,692	182,762	184,479	189,056
Equity						
4	Retained Earnings	175,895	177,692	182,762	184,479	189,056
	Total Retained Earnings	\$ 175,895	\$ 177,692	\$ 182,762	\$ 184,479	\$ 189,056

Explanatory Notes

- 1 Land Inventory 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.
- 2 Accounts Payable and Accrued Liabilities is primarily an estimate related to outstanding development costs for work completed by a year end.
- 3 Due to the City of Edmonton balance reflects the City's working capital injection for land acquisition and subsequent servicing cycle related to ICI and residential/mixed-use land development on an interim basis.
- 4 Retained Earnings represents accumulated profit of Land Enterprise that has been reinvested to grow the land development asset base and facilitate ongoing operations. Land development earned income (revenues in excess of expenses) have additionally been used historically to return dividend to the City, reduce City debt, and invest in municipal real estate.

Land For Municipal Purposes

Approved 2015 Budget – Branch Summary

Land For Municipal Purposes (\$000)	2013 Actual	2014 Budget	2015 Budget	\$ Change '14-'15	% Change '14-'15
Revenue & Transfers				-	-
Total Revenue & Transfers	-	-	-	-	-
Expenditure & Transfers					
Cost of Land - For Municipal Purpose	23,521	79,635	62,476	(17,159)	-22%
Personnel	-	-	-	-	-
Materials, Goods, and Supplies	-	-	-	-	-
External Services	-	-	-	-	-
Intra-municipal Charges	-	-	-	-	-
Utilities & Other Charges	-	-	-	-	-
Subtotal	23,521	79,635	62,476	(17,159)	-22%
Intra-municipal Recoveries	(23,521)	(79,635)	(62,476)	17,159	-22%
Total Expenditure & Transfers	-	-	-	-	-
Net Income (Loss)	-	-	-	-	-
Full-time Equivalents	-	-	-	-	-

* Full Time Equivalents for Property Acquisition are within the Real Estate budget due to the Section focus on acquisition of land for municipal purpose.

Budget Changes for 2015 (\$000)

Expenditures & Transfers - Changes

Cost of Land - For Municipal Purpose (\$17,159)

Decrease due to lower level of projected spending related to land for capital projects that are already approved or proposed for approval through 2015-18 capital budget. These charges are offset by recoveries from capital projects.

Intra-Municipal Recoveries \$17,159

Decrease due to lower level of projected spending related to land for capital projects that are already approved or proposed for approval through 2015-18 capital budget. These charges are offset by recoveries from capital projects.

Land For Municipal Purposes

Approved 2015 Budget – Program Summary

Program Name - Land for Municipal Development

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.

Acquisition file volume and complexity.

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)	2013 Actual	2013 Budget	2014 Budget	2015 Budget
Revenue & Transfers	\$ -	\$ -	\$ -	\$ -
Expenditure & Transfers	23,526	86,375	79,635	62,476
Subtotal	23,526	86,375	79,635	62,476
Intra-municipal Recoveries	(23,526)	(86,375)	(79,635)	(62,476)
Net Operating Requirement	\$ -	\$ -	\$ -	\$ -
Management		-	-	-
Professional/Technical/Union Exempt		-	-	-
Union		-	-	-
Temporary		-	-	-
Full - Time Equivalents		-	-	-

* Full Time Equivalents for Property Acquisition are within the Real Estate budget due to the Section focus on acquisition of land for municipal purpose.

2014 Services

Required land purchases for City Council approved projects.

Required land expropriation for City Council approved projects.

Changes in Services for 2015

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

Land For Municipal Purposes

Pro-Forma Income Statement - Land For Municipal Purposes (\$000)

	2015 Projection	2016 Projection	2017 Projection	2018 Projection	2019 Projection
Expenditures					
1 Cost Of Land Transferred - City Use	62,476	40,115	58,287	12,050	-
Subtotal	62,476	40,115	58,287	12,050	-
1 Intra-Municipal Recoveries - Land Transfer	(62,476)	(40,115)	(58,287)	(12,050)	-
Net Expenditures	-	-	-	-	-
Retained Earnings, End of Year	-	-	-	-	-

Pro-Forma Balance Sheets - Land For Municipal Purposes (\$000)

	2015 Projection	2016 Projection	2017 Projection	2018 Projection	2019 Projection
Financial Assets					
Land for Municipal Purposes	77,456	56,853	49,743	48,743	48,743
Total Assets	77,456	56,853	49,743	48,743	48,743
Liabilities					
2 Accounts Payable and Accrued Liabilities	23,661	6,255	255	255	255
3 Due to the City of Edmonton	53,796	50,597	49,487	48,487	48,487
Total Liabilities	77,457	56,852	49,742	48,742	48,742
Net Financial Assets (Net Debt)	-	-	-	-	-
Total Retained Earnings	-	-	-	-	-

A comprehensive review of Land Enterprise fiscal policies and framework including separation of land for municipal purposes has been initiated and the future budgets will be realigned to reflect the outcomes of such review.

Explanatory Notes

- 1 Land acquisition and transfer of land for City use is based on current information for approved and proposed capital projects in the 2015-2018 capital budget cycle, expected settlement of expropriations, and repayment of strategic land acquisition for other City departments. Future land acquisitions will be determined through future capital budget cycles.
- 2 Accounts Payable and Accrued Liabilities is primarily an estimate related to outstanding expropriation commitments.
- 3 Due to the City of Edmonton represents the City's working capital contribution to finance land purchases for municipal purpose on an interim basis. Administration has implemented a number of strategies to effectively manage this balance.

Land Enterprise

Branch Performance Measures

The following performance measures are intended to provide an example of some of the measures that the Branch is currently monitoring. Since services provided within each Branch are very diverse, the measures are not intended to represent the Branch overall.

Effectiveness measures whether the Branch is effective in achieving its desired outcomes.

Efficiency measures how well resources are being used to produce a service or product.

Measure Type	Key Outcome (from Mandate)	Performance Measure	Target	Actual (year & result)
Effectiveness	Transform Edmonton's Urban Form Average density of Edmonton's housing stock increases.	# of dwelling units per net residential hectare (NRha)	Corporate Target: Measurable increase from 2009 base line measure of 27 dwelling units per NRha 35 year target 40 NRha	2009: 27 NRha
			Land Development Target (excluding City amenity space): Low Density >25 NRha Medium Density >35 NRha	2011-2013 Oxford* 25 NRha 39 NRha
Efficiency	Eco-efficient housing	Energuides Rating >78	>50% of residential building permits	2013: 57%
	Customer service land for municipal purpose program	Customer satisfaction	>90% of clients surveyed	2013: 95%

*Subdivision planning was initiated before 2009 baseline was established; future projects have incorporated density considerations to achieve target