

CITY OF EDMONTON FIRST PLACE HOME OWNERSHIP PROGRAM EVALUATION

May 18, 2011

Attachment 1
2011SCO918

Prepared for:

Planning and Development Department



by:

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& ASSOCIATES LTD.

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First Place Home Ownership Program Evaluation

Prepared for

**Planning and Development Department
City of Edmonton**

by

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May 18, 2011

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EXECUTIVE SUMMARY

INTRODUCTION

In November 2006, the City of Edmonton introduced the First Place Home Ownership Program (hereafter referred to as the Program) to help individuals with modest incomes purchase their first homes. When the Program was conceived housing prices were escalating in Edmonton's booming economy. The median single family home was rising at a phenomenal rate, with median single family assessments as follows:

2005	\$188,500
2006	\$201,500
2007	\$243,500
2008	\$400,000
2009	\$361,500
2010	\$330,000 ¹

The Program was designed to enable employed individuals with the opportunity to enter the housing market for the first time by implementing market housing on 20 surplus and vacant school sites in established neighbourhoods throughout the city.

As a first step, the City implemented the Program on a pilot project basis on two of the 20 sites. The pilot project saw the development of 85 town home units - 43 units at Greenview in the Woodvale community in southeast Edmonton and 42 units at Canon Ridge in the Homesteader community in northeast Edmonton. The Program addresses a number of important objectives:

- improving the range of housing options in Edmonton by bringing more entry level town home units on the market;
- providing first time home buyers with a financing strategy that made purchasing an entry level home more attainable; and
- achieving community revitalization in mature neighbourhoods and urban sustainability through sensitive infill development on vacant City land.

METHODOLOGY

The pilot project evaluation was completed with qualitative and quantitative information obtained on various Program aspects from the following:

- Review of background information on the First Place Home Ownership Program.
- Survey of Greenview and Canon Ridge pilot project home owners.
- In-person interviews with internal and external Program stakeholders.
- Analysis of recent housing market trends and anticipated demand for town home units.

¹ Source of data City of Edmonton Property tax bylaw reports (Kathy Chan)

KEY FINDINGS

- First Place home owners who responded to the survey rated the Program features high in terms of influencing their buying decision. The majority (78.4%) feel that the Program continues to have value for new home owners today.
- The Program generated an overall unit price savings estimated to be between \$11,000 to \$12,000, which enabled some households to move out of the rental housing market.
- According to survey, the Program enabled 48.6% of respondents to buy their homes when they did. The remainder would have purchased without the Program (27%) or were not sure (24.3%).
- There is general acceptance of the Greenvue and Canon Ridge pilot projects in the Woodvale and Homesteader communities. Concerns may persist in the remaining 18 First Place neighbourhoods, particularly related to affordable housing and loss of green space.
- The pilot project consultation process was a success. Community expectations were met and local residents reported their input was valued by builders and influenced design decisions. Part of the success is attributable to the fact that Woodvale and Homesteader had volunteered for the pilot projects.
- The two pilot projects had little impact on enrollment at adjacent schools and there was no reported impact on the usage of adjacent sports fields and playgrounds.
- Both School Boards continue to support the Program and highly rated the City's communication during development and implementation.
- The Program's overall buyer eligibility criteria were reasonable as all town homes sold (except the one accessible unit at Canon Ridge). Stakeholders suggest consideration be given to modifying criteria related to first time home ownership and the minimum five year occupancy to ensure fair access by the target market and to better reflect realities of life changes.
- The builder selection criteria for the pilot project were good and enabled the selection of reputable, competent pilot project builders. Community consultation and condo development experience are seen as important for future projects.
- Stakeholders feel that the builder selection process should be opened up to other builders for the remaining 18 First Place sites.
- As the housing market softened during the pilot project implementation, the unit draw was undersubscribed. A unit draw is not needed in current market conditions. For future First Place projects, the City should maintain responsibility for overall Program communications with the builder responsible for marketing town house units.
- The Land Sales and Master Agreement between the City and project builders worked effectively, as did the Performance Agreement between the City and home buyers.
- Both pilot projects were perceived by new home owners as being physically and socially integrated. The only design-related issue dealt with student drop off patterns and traffic operations, which changed somewhat at the Greenvue Elementary School.
- Based on discussions with the pilot site builders, the absorption rate for town home units built under the Program can range from 18 to 22 units per site per year.
- If it is assumed that if four (4) surplus school sites are concurrently developed across the city then the total absorption rate will be in the range of 72 – 88 units per year. This would

constitute approximately 13% - 14% of the total absorption rate per year for the years 2011 and 2012.

- By 2014, with the anticipated increase in absorption rates, it may be possible to develop up to five (5) sites concurrently, which would have an absorption rate of 90-110 units per year. This would constitute approximately 15% - 17% of the total absorption rate for the year 2014.
- Based on an annual absorption range of 88 – 110 units, depending on whether four or five sites are being developed concurrently, the maximum timeframe for the build out of all 18 sites should not exceed 10 years.

RECOMMENDATIONS

Program Features and Unit Pricing

1. The City should meet with CMHC and Genworth to explore options for providing mortgage insurance in the next phase of Program development and to negotiate a more favorable insurance premium offer.
2. In discussion with future builders, the City could explore possible methods of achieving further cost savings and lower unit prices, particularly if housing prices rise, by considering some of the following:
 - Allowing maximum permitted density.
 - Reducing or waiving municipal servicing/development fees.
 - Reducing parking requirements for sites that are well served by transit.
 - Negotiating requirements for off-site improvements.
 - Smaller unit sizes.

Community Consultation and Perceptions

3. Fine-tune the community consultation process by addressing the following:
 - Meet with chosen project communities in advance of media announcements.
 - Ensure that City Project representatives are familiar with the site and area prior to meeting with the community.
 - Have the City mail an invitation to all households prior to the first community-wide meeting.
 - At the first community-wide meeting, introduce the City's bigger-picture urban growth and Program objectives, show visuals of the pilot projects, and speak to project scale (gross developable area) and impacts relative to a school use.
 - Ensure that key City resource people attend all consultation meetings to ensure a quick response to issues.
4. Develop a First Place Program communications plan before proceeding with the next phase of development.
5. If it aligns with the First Place Program's future communication plan, produce a video on the pilot projects for immediate distribution to EFCL and other First Place neighbourhoods. This could also serve as a valuable communication piece for the City to share with external organizations and stakeholders. The video should feature physical elements of the pilot projects (site design, landscaping, parking, town home exteriors and interiors), as well as social aspects (brief interviews with unit owners, neighbouring residents and community league representatives).

Buyer Eligibility Criteria

6. Consider allowing exceptions to the 'first time' home buyer criteria to include individuals who may have lost their first home due to an unplanned event (eg. divorce or job).
7. Have City Program representatives meet with participating banks, CMHC and Genworth to validate the proposed buyer eligibility criteria and to discuss and finalize criteria related to co-signers, debt service ratios and variable rate mortgages.
8. Maintain five year occupancy requirement to discourage Program abuse by investors and to encourage neighbourhood stability.
9. Change criteria wording from 'Canadian citizens or have permanent resident status' to 'Canadian citizens and permanent residents.'
10. Establish a City of Edmonton communications protocol for sharing Program information with participating banks and responding to their inquiries in a timely manner.

Builder Selection

11. The City should consult with the Canadian Home Builders Association Edmonton Region before finalizing the builder selection criteria and process.
12. Share future Program information with local builders through the Canadian Home Builders Association Edmonton Region magazine and luncheons.
13. The City should consider a two-staged approach for builder selection and site allocation. Based on the builder selection criteria, use a Request for Qualification process for selection of 3 - 4 qualified and reputable builders. Then use a Request for Proposal process to allocate the remaining 18 sites among the selected builders. Builders could be asked to demonstrate more innovation in building design, green design and construction, and competitive pricing.
14. Consider the following changes to the builder selection criteria:
 - Change home warranty wording to say 'approved third party' or 'credible new home warranty program' to eliminate builders who will post their own bond.
 - Clarify wording for green construction experience. 'Built Green' is a program name that not all builders are members of even though they may use green construction practices. Suggest rewording to "Knowledge and experience using green construction products and practices."
 - As there are many builder award programs, change reference from 'Customer Choice Awards' to 'industry awards'. In addition to awards, encourage builders to demonstrate evidence of quality construction and customer satisfaction.
 - Add a requirement for condo development experience rather than simply multi-family projects.
 - Add a requirement for demonstration of past marketing experience.
 - For sites adjacent to existing active schools, require builders to demonstrate their approach to construction site management.

Unit Draw and Program/Unit Marketing

15. A City-managed web site should continue as the primary communication tool to build program awareness and explain objectives and features. This will also establish the Program's identity as a City-led initiative. The City web site will be the main umbrella for Program messaging and information as the remaining 18 sites are developed, which will help to ensure consistent messaging, particularly if many builders are involved.

16. The City should consider developing visual identity guidelines for the First Place Program to use in communication and consultation materials of all Program phases.
17. The City could also consider providing additional marketing and communications support to the Program through articles, interviews, joint mailouts and a pilot project video.
18. The City should consider using Community League resources in project communities to create an enhanced awareness of the Program intent and objectives.
19. For future First Place projects developed under stable housing market conditions a unit draw is not needed. Builders should assume responsibility for town home marketing materials and activities, while acknowledging the City's involvement and referencing the Program web site on all print and electronic materials.

Development Approval and Delivery Model

20. The City should modify the Master Agreement with builders to reflect changes to the unit draw and marketing process.
21. The City should revise the Performance Agreement to reflect any changes made to the buyer eligibility criteria. Review the Performance Agreement to determine if it can be further simplified.
22. The City should provide homeowners with advance notice of land payment four and eight months prior to payment date.

Project Design and Integration

23. The City should meet with Greenview Elementary School to achieve greater understanding of changes to student-related traffic operations and to apply learnings to future projects.
24. The City should share learnings with future Program builders in regard to site design adjacent to active schools.
25. Consider the option of including under-unit garages in future First Place projects so long as it does not significantly impact unit prices.
26. Consider having First Place Program sites serve as demonstration project sites for new innovative housing forms currently not allowed in the CS 1, 2 or 3 Zone. These could include but not be limited to such housing types as big house design, grow homes, secondary suites, and work-live accommodation.
27. Based on pilot site experience, no further development of accessible units be included in the next phase of site development.

Home Owner Survey Results

28. Share home owner survey results with current and future project builders to incorporate suggestions in the design of future projects.

Housing Market Analysis and Program Implementation

29. The recommended Program implementation for the remaining 18 First Place school sites is as follows:
 - Plan and develop four sites in Phase I (2010-2015) in the following neighbourhoods:
 - McLeod Casselman, Northeast Edmonton
 - Caernarvon, Northwest Edmonton

- Skyrattler, Southwest Edmonton
- Tawa, Southeast Edmonton
- Plan and develop five sites in Phase II (2014-2017) in the following neighbourhoods:
 - Kernohan, Northeast Edmonton
 - Sifton Park, Northeast Edmonton
 - Dunluce, Northwest Edmonton
 - Blue Quill, Southwest Edmonton
 - Michael Parks (Public School), Southeast Edmonton
- Plan and develop 5 sites in Phase III (2016-2019) in the following neighbourhoods:
 - Kirkness, Northeast Edmonton
 - Dechene, West Edmonton
 - Haddow, Southwest Edmonton
 - Twin Brooks, Southwest Edmonton
 - Michael parks (Catholic School), Southeast Edmonton

Based on the density of 42 units per hectare currently permitted in the RF5 Row House Zoning, Phase III will result in a total of 208 units.

- Plan and develop four sites in Phase IV (2018-2021) in the following neighbourhoods:
 - Belle Rive, Northeast Edmonton
 - Bears paw, Southwest Edmonton
 - Bulyea Heights, Southwest Edmonton
 - Larkspur, Southeast Edmonton

30. Ensure that the First Place Program implementation plan is flexible and adaptive to changing needs. Housing market conditions should be reviewed at the end of each phase of development to inform decisions regarding the number and location of sites to bring to market in subsequent phases.

1.0 INTRODUCTION

1.1 Background

In 2006, the City of Edmonton introduced the First Place Home Ownership Program (hereafter known as the Program) to assist first time buyers in purchasing homes. At the time the Program was conceived housing prices were escalating in Edmonton's booming economy. The median single family home was rising at a phenomenal rate, with median single family assessments as follows:

2005	\$188,500
2006	\$201,500
2007	\$243,500
2008	\$400,000
2009	\$361,500
2010	\$330,000 ²

The City wanted to avoid losing post secondary graduates from the City, who otherwise are employed, simply because of the lack of reasonably priced housing. With 20 surplus school sites being declared, this became an opportunity to provide 'market affordable' housing within the framework of the Capital Region Housing Continuum.

The Program was designed to be implemented over the long term on 20 surplus and vacant school sites in established neighbourhoods throughout the city. As a first step, the City implemented the Program on a pilot project basis on two of the 20 sites. The pilot project included the development of 85 town home units - 43 units at Greenview in the Woodvale community in southeast Edmonton and 42 units at Canon Ridge in the Homesteader community in northeast Edmonton. The location of the sites and site plans are shown in Figures 1, 2 and 3 on the following pages.

The Program addresses a number of important objectives:

- improving the range of housing options in Edmonton by bringing more entry level town home units on the market;
- providing first time home buyers with a financing strategy that made purchasing an entry level home more attainable; and
- achieving community revitalization in mature neighbourhoods and urban sustainability through sensitive infill development on vacant City land.

The price of pilot project town home units was made more attainable to home buyers due to a combination of factors such as the City's five-year deferment of land costs, CMHC's special rates on mortgage insurance and the land made available by the City in attractive locations within established neighbourhoods. To be eligible, applicants were required to be first-time home buyers, have household incomes under \$88,000 and no major assets, and reside in the units for a minimum of five years and be eligible to qualify for an independent mortgage.

² Source of data City of Edmonton Property tax bylaw reports

Figure 1: Location of Canon Ridge and Greenview First Place Pilot Projects

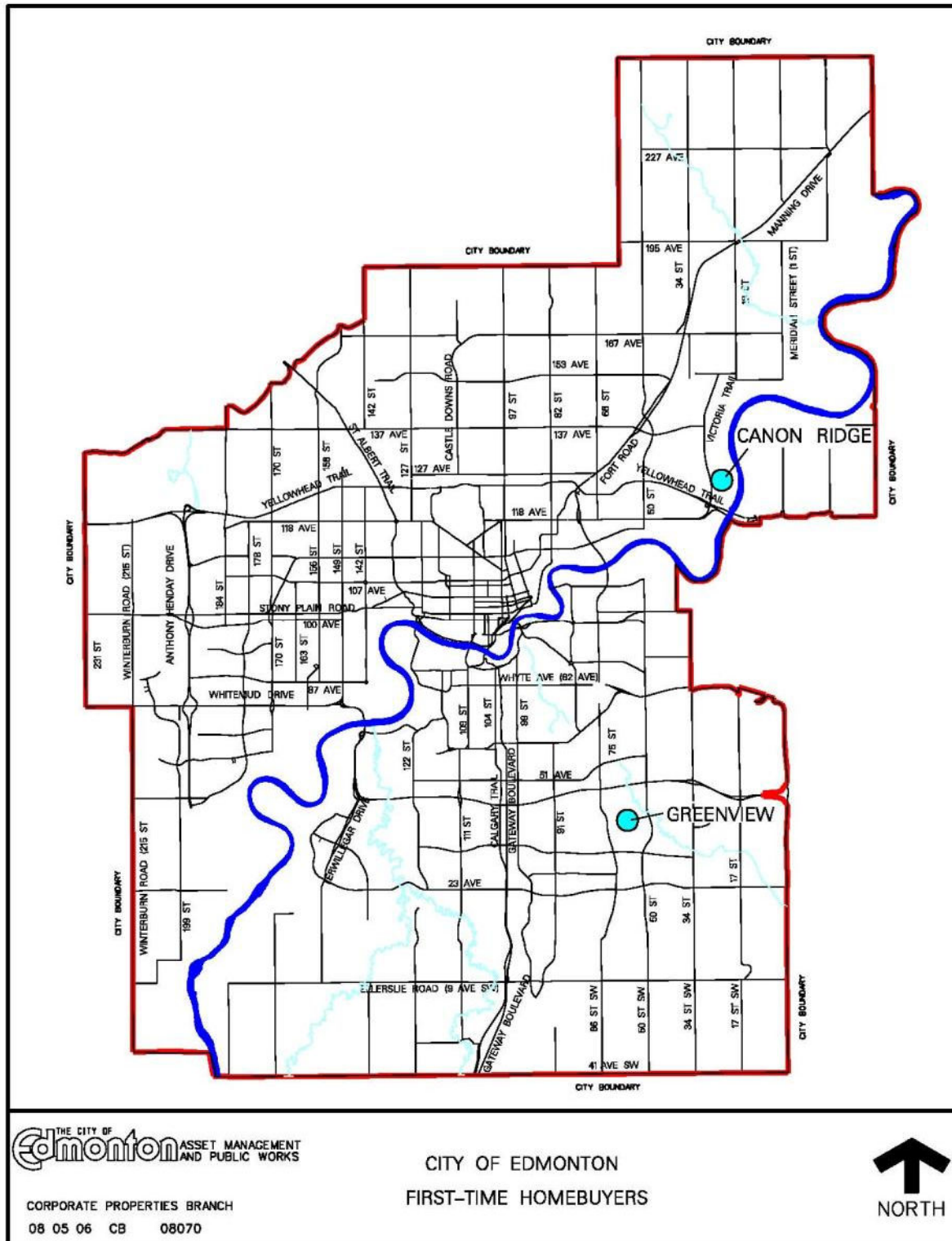


Figure 2: Canon Ridge Site Plan and Elevations



Figure 3: Greenview Site Plan and Elevations



In 2008, a unit draw process was developed to sell the Program units. As market conditions moderated in 2008 and housing prices dropped, demand for the pilot project units waned. Some buyer eligibility criteria were relaxed and the pilot project builders became more involved in marketing the remaining units. All but one of the 85 units has sold.

1.2 Purpose

The purpose of this study is to evaluate the success and challenges of the First Place Home Buyers – Pilot Project implemented by the City of Edmonton on two selected sites located in Greenview and Cannon Ridge neighborhoods and provide specific recommendations on the implementation and development of the remaining 18 available sites.

The evaluation will form the basis for recommendations for making the Program more effective, improving the implementation framework and providing recommendations on implementation of the Program's remaining 18 surplus school sites.

1.3 Evaluation Scope

The following are the key objectives of the study:

- Conduct the required research to fully understand the objectives, desired outcomes and parameters of the First Place Home Ownership Program.
- Consult with pilot project home owners to determine satisfaction levels with the housing units, site plan, financing arrangements and the overall program; and to also identify ways in which the Program may be improved.
- Consult with Executive of the Canon Ridge and Greenview Community Leagues to identify the level of acceptance of the pilot projects within the two communities and to solicit feedback on the site planning and design consultation process.
- Consult with external stakeholders involved in Program development and implementation, including financial institutions, CMHC, EFCL, Canadian Home Builders Association Edmonton Region, school boards, City staff, Realtors Association of Edmonton, Rohit Group and Landmark Homes to identify features of the Program contributing to its success and areas for possible change.
- Subject to relevant data being available, review the pilot project unit draw process and identify the factors that contributed to under subscription.
- Review the terms and conditions of the Land Deferral Process and identify any anticipated financial challenges.
- Conduct market research into the price and availability of new town home units of comparable size and quality to the First Place units, in neighbourhoods across Edmonton.
- Evaluate the First Place Home Ownership Program's success and weaknesses and provide recommendations on areas of change and improvement.
- Develop implementation recommendations including priorities for release of the remaining 18 sites, identifying the location of sites, the number of sites for each phase, number of units and time frame for implementation.

- Present the final report and recommendations to City Council.

1.4 Methodology

The evaluation was completed with information gathered from the following:

- Review of relevant background information on the First Place Home Ownership Program.
- A survey of Greenview and Canon Ridge pilot project home owners. A questionnaire and letter of introduction was mailed by the City to all 84 homeowners in early December 2010. Respondents had the option of completing the survey online or by mailing it in a self addressed envelope. The questionnaire and associated responses are reported in Chapter 9 of this report. As well, responses to particular questions are included throughout the report in thematically-related chapters.
- Interviews with project stakeholders. The City and consulting team identified internal and external stakeholders to interview for the First Place pilot project evaluation. Interview guides were developed and in-person interviews were conducted by the consultant in December and January. Stakeholder comments are summarized thematically throughout the report. Stakeholders interviewed represented the following groups:
 - Banks who participated in the First Place Program
 - CMHC
 - First Place Pilot Project Builders – Rohit Group and Landmark Homes
 - Edmonton Public and Catholic School Boards
 - Realtors' Association of Edmonton
 - Canadian Home Builders Association, Edmonton Region
 - Woodvale and Homesteader Community Leagues
 - Edmonton Federation of Community Leagues
 - City of Edmonton staff involved with various aspects of the pilot projects
- Analysis of recent housing market trends and anticipated demand for town home units.

1.5 Study Limitations

- As the land deferral component of the First Place Program pilot project takes place five years after unit purchase, the overall Program results cannot be fully determined at this point.
- Based on 37 respondents, the home owner survey response rate was 44%, which means the survey results have a $\pm 12\%$ margin of error at a 95% confidence interval. Although the survey results reported in this evaluation provide an indication of home owner perceptions to the Program, results could vary with a higher response rate.
- The Homesteader Community League reserved their final opinion on the quality of the Canon Ridge project, as the landscaping for the project was under construction when this study was conducted.
- When comparing the socioeconomic outlook from CMHC and the City of Edmonton, differences were observed primarily because CMHC Market Outlook focuses on Edmonton Central Metropolitan Area (CMA) and not just the City of Edmonton.

- Information from the CMHC Market Outlook was used as it was the most current document.
- Given the economic uncertainty of the past few years, the CMHC Market Outlook does not provide job and housing start forecasts beyond the year 2011.
- Housing Starts Forecast from the CMHC Outlook provides information on Edmonton CMA. Therefore, based on historic trends for housing starts in Edmonton versus Edmonton CMA, a forecast was extrapolated for the City of Edmonton and should therefore be considered an approximation.
- CMHC Outlook data does not distinguish between the various types of multifamily units such as apartment, duplexes and row houses. The City of Edmonton also does not provide building permit data just for Row House developments.
- Based on the building permit information from CMHC's Construction Digest for 2009 and 2010, assumptions were made for identifying the percentage of row housing starts out of total multifamily units.
- CMHC's Construction Digest was also used to establish market absorption for row house units in the City of Edmonton. However, the data is limited to the years 2009 and 2010 and with significantly different numbers it is difficult to establish a trend.
- Given the uncertain economic trends and a significant inventory of unabsorbed multifamily units on the market, it is assumed that the 2010 growth trend will carry forward to the year 2012. Any forecasting for housing starts should be reviewed at least every three years based on the most current data from CMHC.

2.0 PROGRAM FEATURES AND UNIT PRICING

Three Program features contributed to the attainability and attractiveness of the Program, which were:

- a five year deferral for the payment of land value;
- reduced CMHC mortgage insurance rate; and
- attractive location in proximity to schools and amenities such as parks.

The Program's financial features (five year land deferral and reduced mortgage insurance) made the units more attainable while the pilot project locations in established neighbourhoods near amenities enhanced the home appeal. Other Program features contributed to the relative affordability of the units - City land made available to developers at no cost on a flow-through basis (market value recovered from home buyers), modesty standards, and builder pricing efficiencies gained through design and supplier relationships. These were not part of the evaluation review.

This section summarizes stakeholder and homeowner perceptions and comments on the key Program's features, pricing of the pilot project units, and benefits of the Program in today's market.

2.1 Program Features

Five Year Land Deferral

The City's five year deferral of land costs, particularly as it was originally conceived where the applicants initially had to qualify only for the cost of the town home unit and *not* the land, was one of the Program's key features that made buying a home possible for those with modest incomes. With the land component for each pilot unit valued at \$25,000-30,000, this offered a considerable reduction (approximately 12-15%) in the first time buyers' mortgage qualification requirements.

However, as the market changed feedback from financial institutions indicated they were unwilling to qualify buyers twice and required mortgage pre-approvals for Program applicants to include the cost of the unit and land. This created confusion for some Greenview buyers during the pre-approval process as the project builder was marketing the units without land costs. Finally, the applicants were required to qualify for the entire amount of the unit and the land value.

The payment to the City for the land value was deferred for a period of five years, resulting in the buyers saving five years of interest payments on the land value (estimated to be \$6,000-7,000 based on 5% interest). This change to the Program feature ultimately tightened the Program's income eligibility criteria and did not qualify any extra buyers. If land values increase at the end of five years, homeowners may realize an additional capital appreciation benefit as the land purchase agreement with the City is based on land values at the time of the purchase.

While some stakeholders consulted thought the deferred land cost provided only a slight benefit, homeowners surveyed reported it offers a substantial benefit, albeit one that comes with a tradeoff that requires the buyer to live in the unit for five years. Respondents to the pilot project homeowner survey gave the land deferral feature a strong rating of 4.3 in terms of its importance

on their decision to buy. This was based on a 5 point scale where 1=Not at all Important and 5 = Very Important.

Reduced Mortgage Insurance

CMHC provided mortgage insurance for the pilot project units. CMHC's discounted mortgage insurance premium involved waiving premium surcharges for longer amortization periods. Buyers who took mortgages with an amortization period greater than 25 years were charged insurance premiums based on the 25 year rate. Assuming a mortgage amount of \$225,000 and a 90% loan-to-value mortgage, the estimated premium savings is \$450 on a 26-30 year mortgage and \$900 on a 31-35 year mortgage.

Stakeholders generally did not view the CMHC mortgage insurance savings as a significant benefit to buyers. However, pilot project homeowners who participated in the survey rated reduced mortgage insurance high (4.4 out of 5) in terms of its importance on their buying decision. Participating banks suggested that future projects involve both CMHC and Genworth Financial Canada to broaden mortgage insurance options for Program buyers.

CMHC's current mortgage insurance benefit applies only to the two pilot projects. Their participation in future Program sites will require the City to submit another proposal for review by CMHC at the local and national levels.

Location Near Amenities

The location of the pilot sites in established neighbourhoods near parks, schools, public transit and other amenities is a special attribute of the sites. This feature offers high value, particularly for younger families with children and people not wanting long or costly commutes to work. The opportunity to purchase a new home in a 30 year old neighbourhood is equally unique, as is the opportunity for first time buyers to buy property backing onto park land. Stakeholders and homeowners alike recognized the value of the pilot sites' locational advantages. Homeowners who responded to the survey gave this a high score of 4.4 out of 5 in terms of influence on their decision.

Other Factors

In discussions with the project builders, it was identified that the land made available to the developers had significantly contributed to the overall savings which also made the units more attainable. In a regular market scenario where the developer is required to assemble the land, there is a cost associated with the financing of land. In addition, there is an expected return on investment which would be sought by the development company.

In the case of the pilot projects, since the land was made available by the City, the cost saving associated with the assembly and financing of land was directly passed on to the buyer. To put things in perspective for the pilot projects, if the developer had to assemble and finance the land for the project, the additional cost per unit (where the land value per unit is assumed at approximately \$25,000) is estimated to be at least \$ 4,200.

2.2 Unit Pricing

Pilot project units appear to have been priced competitively in the market. Stakeholders generally thought prices were fair (\$220,000-250,000 excluding GST), particularly given their location near parks and other amenities. Although homeowners were not asked to comment specifically on price in the survey, under '*other factors*' that influenced the purchase decision, nine respondents cited price as a favorable factor.

Units were not meant to be the cheapest possible, but rather strove to balance accessible pricing with design that blended suitably with the existing neighbourhood. Modesty standards, the City's land contribution, and builder / supplier efficiencies and relationships all helped to ensure units were appropriately and favourably priced to be within the affordability range of the target market. The requirement for an accessible unit in Canon Ridge, which never sold, contributed to higher development costs on this site. The Program's price advantage was impacted in 2008 when the housing market turned and competing town home products in the market were sold at discounted prices. In response, the City reduced the pilot sites' land values and the builders adjusted their prices.

The unit pricing of both pilot projects was comparable. Greenview units ranged in size from 905–921 sq ft for two bedroom units, and 1,173–1,185 sq ft for three bedroom units. Unit prices in Greenview ranged from \$195,000 to \$218,000 excluding GST and land. Depending on unit size, land ranged from \$25,000 to \$30,000 per unit.

Units at the Canon Ridge site, with the exception of one accessible unit, were all three bedroom, 1,106 sq ft and sold at an average price of \$207,500 excluding GST and land. Land was approximately \$30,000 per unit.

Unit pricing may vary in future projects as not all neighbourhoods will have similar land values. The pilot project builders suggest that costs and prices might be further reduced in future projects by considering the following:

- Allow builders to achieve maximum permitted density;
- Reduce or waive municipal servicing/development fees, as municipal infrastructure already exists in these neighbourhoods;
- Reduce parking requirements to lower than suburban standards, particularly for sites that are well served by transit;
- Have City cover the cost of certain off-site improvements (eg. pad for new bus stop); and
- Consider smaller unit sizes.

2.3 Benefits in Today's Market?

Stakeholders had mixed views on the Program's future benefit, commenting that its financial benefits are likely less attractive in today's market. However, it was also acknowledged that even though housing prices are more stable today than in 2007, affordability continues to be an issue for new home buyers. The Program's other municipal objectives continue to be important – community revitalization, urban sustainability and increased housing choice by using surplus land to produce moderately priced housing in established neighbourhoods.

Pilot project builders and homeowners both feel strongly that the Program still has considerable value in today's market. The pilot project was a success with all but one unit selling in spite of buyer restrictions and an economic downturn. Moving forward, subsequent projects have the potential to be even more beneficial if greater cost savings can be realized and buyer restrictions reduced. There continues to be many new buyers looking to get into a modestly priced housing product of this type and location, especially with rising interest rates.

First Place homeowner perceptions also lend support to the Program's value. Almost half of survey respondents (48.6%) reported that they would 'not' have bought their homes when they did without the First Place Program. As all buyers were renters (or living with family) prior to unit purchase, the Program's savings clearly enabled the creation of new home buyers. The balance were either unsure or indicated that they would have bought regardless. When asked if the First Place Program still has value for new home owners today, 78.4% of survey respondents replied 'yes'.

2.4 Conclusions

- First Place home owners surveyed rated key Program features high in terms of their influence on the buying decision. On a five-point scale where 5 is very important, ratings were:
 - five year land deferral - 4.3
 - reduced mortgage insurance - 4.4
 - project location – 4.4
- The majority of home owner respondents (78.4%) feel that the Program still has value for new home owners today.
- Although stakeholders feel that the Program's financial features are not as beneficial today as in 2007, new homeowners and builders feel the Program still has value and should be continued. Even in today's more stable housing market, there is still a demand for entry level housing and the sites' unique locational attributes allow new home buyers to live in a mature neighbourhood near park space.
- The Program's broader municipal objectives of community revitalization, urban sustainability and housing choices continue to be important.
- Prices of the pilot project units were generally perceived to be fair, particularly given their attractive locations. There may be an opportunity to explore further cost and price reductions in future projects as discussed in Section 2.2.
- The Program generated an overall unit price savings estimated to be approximately \$11,000-12,000, which for some households likely meant the difference between owning and renting. This is based on the following savings:

Table 1: Estimated Program Savings Per Unit

• Land assembly and financing cost savings	• \$4,200
• Interest savings from five year land deferral	• \$6,000 - \$7,000
• Mortgage insurance premium savings	• \$450 - \$950
Total	• \$10,650 - \$12,150

- CMHC's special mortgage insurance offer applied only to the pilot projects and the City will have to submit a new proposal for a special premium on future projects.
- Stakeholders suggested that for future First Place projects, the selection of mortgage insurance providers be expanded beyond CMHC to include other insurers like Genworth.

2.5 Recommendations

- The City should meet with CMHC and Genworth to explore options for providing mortgage insurance in the next phase of Program development and to negotiate a more favorable insurance premium offer.
- In discussion with future builders, the City could explore possible methods of achieving further cost savings and lower unit prices, particularly if housing prices rise, by considering some of the following:
 - Allowing maximum permitted density.
 - Reducing or waiving municipal servicing/development fees.
 - Reducing parking requirements for sites that are well served by transit.
 - Negotiating requirements for off-site improvements.
 - Smaller unit sizes.

3.0 COMMUNITY CONSULTATION AND PERCEPTIONS

3.1 Consultation Process

The key objective of the community consultation process for the pilot projects was to involve the community in discussions and decisions related to site design and building design. The pilot project community involvement process consisted of the following six steps:

- **Initial contact with community league executive** to inform the league of the Program and processes, and to request assistance in hosting a community wide meeting.
- **Community-wide meeting** to inform residents about the Program and answer their questions. Individual residents were asked to volunteer to form a residents' group to provide input to the design consultation meetings (Park Context and Town Home Project) held by the City and builder.
- **Site Context Meeting #1:** Discuss potential impacts the Program site may have on the adjacent school/park site and discuss various options/design concepts to mitigate the impacts and achieve a compatible relationship.
- **Site Context Meeting #2:** Finalize the design concepts and options for mitigating impacts and achieving a compatible relationship.
- **Town Home Project Design Meeting #1:** Discuss the factors that influence the site layout and general design of the project, review conceptual layout options, and obtain general agreement on a preferred option.
- **Town Home Project Design Meeting #2:** Present a detailed layout based on the preferred conceptual layout. Discuss architectural design and finishing options, proposals for landscaping, fencing, screening of parking and garbage collection areas, etc. Obtain general agreement on preferred design and finishing of the project, as well as landscaping and fencing details.



Site Design Meeting,
Source – City of Edmonton



Site Design Concepts,
Source – City of Edmonton

Most stakeholders felt that the pilot project consultation process was very successful in achieving what it set out to accomplish. The basic framework should remain unchanged and guide consultation activities for future First Place projects.

Part of the success of the consultation process may be due to the fact that the two pilot community leagues - Homesteader and Woodvale - were generally keen and had volunteered for the pilot projects (although not all residents supported their Boards' decision). Some of the remaining 18 communities were strongly opposed to the Program. Consultation in these communities could be challenging and the City and future developers should have a plan on how to proceed in the face of strong opposition.

The pilot project consultation process was very resource intensive. In addition to preparation work before and after meetings, each meeting was attended by several City and builder staff. The City's initial contact with the community league executive requested their help in organizing a community-wide meeting. The Community League Executive undertook planning for this meeting with mixed results. In Woodvale, notices were delivered to homes by volunteers and may not have reached all households. This led to criticism by residents who did not receive notices and learned of the project later.

At the community-wide meeting, community members were asked to form a residents' group to provide input on site and project design. The four design meetings (two park context and two project design) allowed issues to be worked out without the process feeling rushed. Towards the end, residents had developed a level of comfort and trust with the process, the builders and the City. In Greenview, for example, residents applauded at the last meeting.

Community league representatives acknowledged the importance of a process and development team that listens to residents' concerns and responds where possible. A willingness to incorporate community preferences and investigate options is important, and it appears that both pilot project consultation processes met community expectations in this regard.

A range of issues were expressed at early community meetings. For the Canon Ridge site, Homesteader community issues related to the number of units, traffic, spillover parking, rental/investment property, aesthetics of development, and impact to their winter park. Although the City did not provide timely updates as planned to the community, the group was happy with Landmark's response to issues, as well as its numerous design options and modifications. The community league and City discussions focused on how best to leverage the First Place Program development to support the adjacent planned park development.

In terms of outstanding issues, Homesteader community representatives noted that the project should have been built over one rather than two construction seasons (although the construction site was kept clean), and that landscaping was not yet complete. Residents would not judge the project outcome until this was complete.

The Greenview site in Woodvale community faced more development-related issues because it was adjacent to Greenview Elementary School. Key issues related to traffic, parking, loss of open space, school drop off and safety of school children, disruption during construction, look / quality of new housing, and impact on neighbouring property values. The Woodvale community representative interviewed commented that Rohit went out of their way to address issues. Concerns generally do not persist now that Greenview is complete, although some residents continue to be disgruntled with the loss of green space. Similar issues will likely be expressed in other communities with First Place sites adjacent to existing development.

Key strengths of the pilot project consultation process were:

- Clearly defined consultation process and objectives, which was articulated at consultation meetings. Participants knew what was open for discussion and what was not.
- Appropriate balance and sequence to meetings. Before discussing design, the process first discussed the impact of residential land use and how family-oriented town home land use would affect the adjacent space. The focus was on opportunity rather than loss, and context was provided (eg. a relatively small project in a large neighborhood – maybe a 5% population increase, addition of young families to the neighbourhood, etc).

- Consultation exercises led by knowledgeable and skilled presenters from the City and developer teams who understand factors that influence development, particularly for a challenging site like Greenvue.
- Involving community members in design decisions wherever possible.
- Acknowledging residents' concerns and providing explanation when not possible to address.
- Involvement of City staff:
 - Representatives of key departments to answer technical questions related to rezoning, transportation, and infrastructure issues.
 - Community Recreation Coordinator who knew the community and Community League Executive.
 - Landscape Architect from the City's Parks Department assisted with design solutions and ensured an appropriate separation of public and private lands.

Suggestions for improving the consultation process included:

- Ensure that City of Edmonton representatives inform affected communities before the media. In the early phase of the First Place Program, communities learned about the 20 sites from the media before meeting with the Mayor at City Hall.
- Ensure that the City project representatives are familiar with site and area before meeting with community.
- After meeting with the community league executive, the initial community-wide meeting should be organized by the City with an invitation mailed to each household.
- At the first community-wide meeting introduce the bigger-picture context, as people tend to see neighbourhood level impacts only. Discuss how Edmonton has changed and how the First Place Program objectives are designed to address change. Show visuals of pilot projects and encourage site visits.
- At the first community-wide meeting, have builders speak to project's gross developable area (about 1% of neighbourhood area) and communicate that roads can handle traffic from 45 new town homes – this may be less traffic than if a school was there. For example, a public elementary school at Canon Ridge would have high traffic volumes at morning arrival (8:00-8:30) and afternoon dismissal (3:00-3:30). Public elementary schools typically have capacity for approximately 300 students. A junior high school in Greenvue would see similar high traffic volumes during arrival/dismissal times but somewhat mitigated by higher transit usage. A public junior high school would typically have capacity for approximately 500 students.
- Ensure that the City's key resource people attend all meetings to respond to technical questions.
- Avoid making commitments to community leagues that may not be possible to fulfill (eg. pledge of money to Woodvale Community League to offset land use change).
- Celebrate the project completion with an event (eg. barbeque) – invite new home owners, site designers, builders, City representatives, adjacent residents and community league executive. A community league sponsored event would encourage social integration.
- The City of Edmonton should have more site signage and web site communications for future projects.

3.2 Community Perceptions

Community leagues, the Edmonton Federation of Community Leagues (EFCL), and the School Boards were asked their perceptions of the pilot projects before and after development.

Community Leagues. At the Program start, most Woodvale residents either did not know or had forgotten that the Greenview site was originally designated for a school building. The Homesteader Community League Executive and some residents were aware of the school building envelope, as they had earlier approached the City about using this site as a playground.

There seems to be general community acceptance of the new developments in Woodvale and Homesteader, both at the Board and community levels. Both communities commented that the level of acceptance has probably gone from a 'low' at the time of project announcement to a 'medium' today. This observation is based more on the absence of negative comments. Because the Canon Ridge site has not yet been landscaped, Homesteader remarked that it was too early to provide final comments on the pilot project.

Some area residents opposed to the projects at the start remain so, primarily because of the loss of green space. People living closest to the pilot sites had the most concerns. In general, no negative reports have been heard since the developments were completed and fears about 'low income housing' seem to have vanished within the two neighbourhoods. In Woodvale, 7 or 8 Greenview home owners are now members of the community league.

Edmonton Federation of Community Leagues. EFCL feels that both communities generally view the pilot projects favourably. The assumption is that 'no news is good news'. If there were problems related to the pilot projects EFCL would have heard about them from community league executive.

There could still be much concern about the Program in some of the remaining 18 neighbourhoods, in part based on lingering fears that this is low income housing. Communities also want to see a benefit in return, as the City is perceived to be taking away a public amenity space. The message is not out about the quality of development in the pilot projects. Few people in other communities have actually visited the pilot sites.

EFCL thinks that a City-produced video showing the two pilot sites and units, and interviewing homeowners and community members could go a long way to ameliorating concerns in the remaining 18 neighbourhoods. The video could be made available on the City web site, to EFCL and to the community league boards of all 20 First Place Program neighbourhoods.

School Boards. Both pilot sites were public school board sites, but only Greenview Landing is adjacent to a school (Greenview Elementary) and a few blocks from John Paul Elementary. School Board comments on the pilot projects were generally neutral, with one exception. The Public School Board commented that student drop off patterns and traffic have changed somewhat at Greenview Elementary School as the school is perceived to be less accessible than in the past. Even with the new pathway through the site linking the school and the Church parking lot, the town home development has resulted in more parents now stopping on the street to drop off students than before.

The developments have had negligible impact on school enrollment. They are not large enough to significantly affect school enrollment. Canon Ridge has generated 4 students and Greenview

Landing 8 students for public schools (6 in Greenview Elementary and 2 in Junior High). The number of new students generated for Catholic schools was not reported but it was felt that there would be few as only half of the town homes would have children and only one-quarter of these would be Catholic. Neither school board reported any changes in usage of adjacent sports fields or playground areas or changes in security of school grounds.

Edmonton Catholic Schools, although not directly involved in the pilot project sites, visited Greenview after its development and noted that it appears to be pleasing, well built and a positive addition to the community. It would not detract from the name of the Edmonton Catholic Schools.

Communication between the City of Edmonton and School Boards was very good during Program implementation. Both school boards continue to support the Program in principle and support infill development in mature areas to reduce urban sprawl and support underutilized schools. Any significant change in Program intent would have to go back to both School Boards for review. Although the previous Boards supported the Program, new Boards were elected in the fall of 2010.

The Catholic School Board expressed an interest in having one of their sites chosen next. The Public School Board is interested in knowing if the Program succeeded in meeting the City's objectives and what the demographics of the new residents are; they would be interested in seeing the City's report.

3.3 Conclusions

- The consultation process was critical to the success of the pilot projects. Part of the success can be attributed to the fact that the two pilot community leagues were keen and had volunteered for the pilot projects. The consultation process met its objectives and should be used to guide consultation activities for future First Place Program projects.
- The process met community expectations. Community leagues acknowledged the importance of a process and development team that listened and where possible addressed residents' concerns. They also valued being involved in design decisions.
- Many community issues raised during the pilot projects can be expected in other communities: traffic, parking, loss of open space, school drop off and safety of school children, construction disruption, affordable housing, quality of project, and impact on neighbouring property values.
- There is general community acceptance of the pilot developments in Woodvale and Homesteader at both the Community League Board and community levels - fears about 'low income housing' have vanished. Fears may persist in the remaining 18 First Place neighbourhoods.
- Given the pilot projects' small scale, they have had little impact on enrollment at adjacent schools and sports field / playground usage. School Board perceptions of the new



*Pilot Site Residents,
residents' concerns. They also
Source – City of Edmonton*

developments are generally neutral, but a change to Greenview Elementary School drop-off patterns was noted.

- The City's communication with the School Boards was very good during Program development and implementation. Both School Boards continue to support the Program in principle.

3.4 Recommendations

- Fine-tune the community consultation process by addressing the following (see Section 3.1):
 - Meet with chosen project communities in advance of media announcements.
 - Ensure that City Project representatives are familiar with the site and area prior to meeting with the community.
 - Have the City mail an invitation to all households prior to the first community-wide meeting.
 - At the first community-wide meeting, introduce the City's bigger-picture urban growth and Program objectives, show visuals of the pilot projects, and speak to project scale (gross developable area) and impacts relative to a school use.
 - Ensure that key City resource people attend all consultation meetings to ensure a quick response to issues.
- Develop a First Place Program communications plan before proceeding with the next phase of development.
- If it aligns with the First Place Program's future communication plan, produce a video on the pilot projects for immediate distribution to EFCL and other First Place neighbourhoods. This could also serve as a valuable communication piece for the City to share with external organizations and stakeholders. The video should feature physical elements of the pilot projects (site design, landscaping, parking, town home exteriors and interiors), as well as social aspects (brief interviews with unit owners, neighbouring residents and community league representatives).

4.0 BUYER ELIGIBILITY CRITERIA

4.1 Buyer Eligibility Criteria

Below are the Program's eligibility criteria as listed on the City's First Place web site:

- Applicants can now use a 'co-signer' to qualify for and obtain mortgage approval from a lender.
- Must be able to qualify and obtain pre-approved financing (can purchase with down payment greater than 5%, 35 year mortgage amortization, 32% gross debt service ratio and 42% total debt service ratio).
- Must be first-time home buyers in Alberta.
- Applicants must agree to be full time occupants for the first five years and residents of the condominium unit association.
- Must have a net personal worth less than \$25,000, excluding a primary vehicle, locked-in or group RRSP and the down payment required for the condominium unit.
- Must be Canadian citizens or have permanent resident status.
- Must be employed and have a combined gross income of less than \$88,000.

Mortgage co-signers do not need to meet the eligibility criteria and therefore do not have to be full time occupants and residents, nor meet the income and net worth criteria.

The Program's over-riding goal was to provide attainable home ownership options for first time buyers with moderate incomes. Program buyer eligibility criteria evolved over time as consultation with various stakeholders occurred. Criteria were further modified as the housing market softened in 2008. The co-signer option was added after the unit draw failed to attract an adequate number of applicants. To date, there have been no mortgage defaults on any of the pilot site sales.

Generally, the buyer eligibility criteria can be considered reasonable as all pilot town home units sold, with the exception of Canon Ridge's accessible unit. Discussions with stakeholders revealed some areas where the criteria might be modified to ensure fairer access by the target market and to better reflect the realities of changing life situations. These are discussed below:

- **Co-signer option.** Different stakeholder views were heard on co-signers. Financial institutions questioned its appropriateness, as it is unlikely that a co-signer will assume monthly mortgage payments in the event that the applicant defaults on his/her payment obligations. Some felt this potentially creates an unrealistic scenario for buyers and that gifted down payments may be a more suitable form of support. Another stakeholder suggested that first time buyers *without* access to outside help (co-signer or down payment support) are in greater need of Program benefits. Builders, on the other hand, report that 1 in every 3-4 first time home buyer has a co-signer and that if this feature is dropped it will eliminate too many prospects. When the co-signer option was added to the eligibility criteria it greatly increased the appeal of the pilot units, particularly as the market cooled.

- **Pre-approved financing qualifications.** Participating financial institutions would like to see the total debt service ratio of 42% change to match that used by CMHC and Genworth. They also suggested that both CMHC and Genworth provide Program mortgage insurance. Some banks felt that a variable rate mortgage option should also be allowed as it is more attractive to some buyers. However, the five year fixed rate was a CMHC requirement designed to minimize risk of mortgage default. Because first time home owners do not have experience with mortgage payments, risk increases if interest rates rise. One builder also noted that the difference between fixed and variable interest rates made some buyers opt for a higher price product. In spite of this difference, all pilot project units sold.
- **First time home buyer in Alberta.** A number of stakeholders felt that the 'first time' buyer requirement should be relaxed or dropped. The Program focus is to help modest income earners into equity ownership. During the pilot projects, some prospects were ineligible because they had previously owned a home but due to life changes, such as divorce, no longer did. On the other hand, stakeholders acknowledge the need for eligibility restrictions to minimize potential investor abuse - income and net worth caps, as well as an occupancy requirement, were felt most important to meeting program objectives while building in safeguards. Some requirement for first time ownership was also thought beneficial to reducing Program abuse, as the occupancy requirement is easy to circumvent and difficult to police. It is better for the Program to have front-end hoops rather than police later.
- **Occupy unit for 5 years.** Many stakeholders suggested modifying the requirement to live in unit for five years. Not only was it a deterrent to some buyers, it is perceived as too long a commitment when one considers the planned and unplanned events that can occur in life (job loss, transfer, divorce). Concerns over neighbourhood stability were a relatively minor issue during community consultation and ownership changes are not necessarily negative to a community. While elimination of the occupancy requirement would simplify administrative issues related to early leavers, it is believed that some occupancy requirement is needed to deter investors. Two approaches were suggested: modify it to a minimum 3 year occupancy requirement, or stagger it to provide a maximum benefit after 5 years with a reduced Program benefit for anything less.
- **Net personal worth less than \$25,000.** Maintain a net worth cap and reporting requirement.
- **Canadian citizens or have permanent resident status.** Change wording from 'have permanent resident status' to 'permanent residents'.
- **Employed and combined income of less than \$88,000.** Maintain an income cap and review it annually.

4.2 Conclusions

- The Program's buyer eligibility criteria evolved over time to respond to dramatically changing conditions in the housing market in 2007 and 2008. Overall, the criteria were successful in ensuring only the target audiences benefited from the program and can be considered reasonable as all town home units sold, with the exception of Canon Ridge's accessible unit.
- Criteria that should not change are Canadian citizens and permanent residents, as well as net worth and income caps. The latter should be reviewed annually.
- Stakeholders suggest modifying some criteria to ensure fairer access by the target market and to better reflect the realities of life changes.

- **Co signer option.** Banks questioned the appropriateness of having a co-signer, while builders feel it is important for Program success and commonly used by first time buyers.
- **Pre-approved financing.** Participating banks would like to see the total debt service ratio of 42% change to match that used by CMHC and Genworth. Some stakeholders also feel that a variable rate mortgage option should be allowed as it is what certain buyers want.
- **First time home buyer.** Many want this requirement relaxed, as it unfairly disqualifies some people (eg. divorced former home owners) and the real focus is helping modest income households into ownership housing. Maintaining some requirement for first time ownership is felt to be prudent in deterring Program abuse by investors.
- **Occupy unit for 5 years.** Given life's often unplanned events, some stakeholders feel five years is too long a commitment and was a deterrent to some pilot project buyers. However, maintaining a minimum occupancy requirement is considered important to discouraging Program abuse by investors. Furthermore, the Performance Agreement between the City and buyer allows for early departure without penalty.

4.3 Recommendations

- Consider allowing exceptions to the 'first time' home buyer criteria to include individuals who may have lost their first home due to an unplanned event (eg. divorce or job).
- Have City Program representatives meet with participating banks, CMHC and Genworth to validate the proposed buyer eligibility criteria changes and to discuss and finalize criteria related to co-signers, debt service ratios and variable rate mortgages.
- Maintain five year occupancy requirement to discourage Program abuse by investors and to encourage neighbourhood stability.
- Change criteria wording from 'Canadian citizens or have permanent resident status' to 'Canadian citizens and permanent residents.'
- Establish a City of Edmonton communications protocol for sharing Program information with participating banks and responding to their inquiries in a timely manner.

5.0 BUILDER SELECTION

5.1 Builder Selection Criteria

Builders were selected in a two step process. The City sent a Program information package and an invitation to be considered as a builder for the Pilot Sites to four builders who were selected on the following basis:

- Experience in developing well designed and finished multiple family projects
- Peer recognition as an industry leader in the development of multiple family projects as indicated by SAM awards
- Strong record of quality construction and customer satisfaction as indicated by their standing within the Alberta New Home Warranty Program and Customer Choice Awards
- Knowledge and experience in using build green construction technology and products
- Experience in developing projects involving a significant level of community consultation.

The builder selection criteria assisted the City of Edmonton in identifying and inviting four builders to be considered for the pilot projects. Builders' financial capacity and their track record within the industry were also assessed. During stakeholder consultation, no criteria were dropped but some tightening up was suggested. Stakeholders agreed with the importance of community consultation expertise for future Program builders and also suggested adding the need for condo development experience. Stakeholder suggestions are summarized below:

- Wording should say 'approved third party' or 'credible' new home warranty program (rather than Alberta New Home Warranty Program). This will eliminate builders who post their own bonds.
- Change 'build green construction' reference to 'green construction'. 'Build Green' is a program name.
- Refer to 'industry awards' rather than 'Customer Choice Awards', as there are many award programs.
- Tighten criteria for quality construction and consumer satisfaction. The industry award selection process can be quite subjective and reliant on good graphics.
- Put onus on builders to prove that they have qualifications and experience to successfully complete the project to minimum standards set by the pilot sites. Do not use a 'checklist' approach.
- Community consultation expertise is important. Program builders should have a solid track record of working effectively with communities.
- Require builders to have condo development experience, as first time buyers are unsophisticated and need educating about condominium arrangements. It is also important for builder to understand condo market cycles and to have a knowledgeable sales people to help first time buyers understand performance agreement with City.
- Require demonstration of past marketing experience excellence.

- Avoid using a different builder for each remaining site as it will make future projects harder to sell to community.

5.2 Builder Selection Process

After three builders expressed an interest in the Pilot Sites, each builder was interviewed by the City's Housing Branch Manager and the Project Development Director to evaluate their relative merit for selection based on the criteria below. Each builder was scored on a 5 point scale, based on how well they satisfied each criterion.

- Strength of design and project management team
- Sensitivity to community consultation and experience or capability in developing projects involving a consultative approach to obtain support or mitigate impact
- First Place Home Owner Program buy-in regarding costing model and business relationship
- Implementation schedule.

The limited invitation approach used for the pilot projects was practical given the Program's uniqueness, the timelines and the market conditions that kept builders busy in 2007. Although the pilot project builders have valuable Program experience that can be transferred to other sites, stakeholders feel that the City should open up the builder selection process as much as possible for the remaining 18 sites. Most suggest a Request for Proposal (RFP) process that clearly articulates the City's goals and expectations, and that sets some type of pricing parameters to prevent the development of upscale units. One suggestion was for a Request for Information approach, inviting builders to tell the City what would work best for each site, thus allowing for a product customized to the site and the market.

The City could consider issuing future RFPs on a site-by-site basis or for a bundle of sites (ie. 3 to 4) in different quadrants of the City. Discussions with the pilot project builders suggest that 3 – 4 sites could be developed simultaneously with the sites geographically dispersed across different quadrants of the City. The maximum, however, would depend on market conditions and anticipated absorption rates. The optimum number of sites would require further review and discussion with builders at the start of each phase. A bundle of sites potentially creates builder economies of scale and hence lower unit pricing. It also allows builders to prepare a more comprehensive and efficient marketing plan.

There is an element of the unknown with builders who have not yet participated in the Program. It might be unwise for the City to commit to multiple sites with a new builder, particularly for those sites with design and development challenges like Greenvue where the parcel was situated between an elementary school and church. One suggestion was that new Program builders be required to demonstrate successful project completion of one site before advancing development on the remainder of the bundled sites. The most efficient approach would be to create a pool of 3-4 qualified builders based on the selection criteria to develop the remaining 18 sites.

The Canadian Home Builders' Association Edmonton Region has offered to advise on the builder selection criteria and process, and encourages greater information sharing with its members. The Association can present future Program information to local builders through its magazine or at luncheons. They also suggested that if the City is looking for more innovation and a better buy

from industry, use a descriptive rather than prescriptive approach in the RFP and assign weighting for innovation.

5.3 Conclusions

- The overall builder selection criteria were good and enabled the selection of reputable, competent builders for the pilot projects, both in terms of community consultation and product design and construction.
- The criteria could be tightened in some areas, including putting the onus on builders to prove that they have qualifications and relevant experience for the project.
- Community consultation expertise was seen as very important for project builders. Future builders should also have condo development experience.
- Stakeholders felt that the builder selection process should be opened up to other builders for the remaining 18 sites. The City could consider a Request for Proposal process for each site or for bundled sites. There is also merit in terms of efficiencies and community relations in selecting a small pool of qualified builders to develop all remaining Program sites.

5.4 Recommendations

- The City should consult with the Canadian Home Builders Association Edmonton Region before finalizing the builder selection criteria and process.
- Share future Program information with local builders through the Canadian Home Builders Association Edmonton Region magazine and luncheons.
- The City should consider a two-staged approach for builder selection and site allocation. Based on the builder selection criteria, use a Request for Qualification process for selection of 3 - 4 qualified and reputable builders. Then use a Request for Proposal process to allocate the remaining 18 sites among the selected builders. Builders could be asked to demonstrate more innovation in building design, green design and construction, and competitive pricing.
- Consider the following changes to the builder selection criteria:
 - Change home warranty wording to say ‘approved third party’ or ‘credible new home warranty program’ to eliminate builders who will post their own bond.
 - Clarify wording for green construction experience. ‘Built Green’ is a program name that not all builders are members of even though they may use green construction practices. Suggest rewording to “Knowledge and experience using green construction products and practices.”
 - As there are many builder award programs, change reference from ‘Customer Choice Awards’ to ‘industry awards’. In addition to awards, encourage builders to demonstrate evidence of quality construction and customer satisfaction.
 - Add a requirement for condo development experience rather than simply multi-family projects.
 - Add a requirement for demonstration of past marketing experience.
 - For sites adjacent to existing active schools, require builders to demonstrate their approach to construction site management.

6.0 UNIT DRAW AND PROGRAM / UNIT MARKETING

Although the First Place Program was planned in an environment of economic boom and overheated housing market, its implementation took place as the economy stabilized, housing prices dropped and federal mortgage rules changed in 2008. These factors impacted the design and outcome of the First Place unit draw and marketing process.

6.1 Unit Draw

Initially designed as a two-staged process, the unit draw was modified to a single-stage process as the housing market softened. Housing prices in the Edmonton region peaked in May 2007. In 2008 stable prices, high inventories and low mortgage rates created an ideal market for first time buyers. Prices fell further in the latter part of 2008 as sales volumes dropped, with condo prices falling more than 10% over the previous year.

In October 2008, federal mortgage rules also changed for government-back, high-ratio mortgages to prevent households from getting overextended. This ultimately made it more difficult for first-time buyers to get into the home ownership market. These changes included:

- Reduction in the maximum amortization period from 40 years to 35 years.
- Minimum down payment of 5%.
- Establishing a consistent minimum credit score requirement.
- Requiring the lender to make a reasonable effort to verify that the borrower can afford the loan payment.
- New loan documentation standards to ensure that there is evidence of reasonableness of property values and of the borrower's sources and level of income.

The unit draw process required applicants to submit all eligibility documentation during a four week registration period immediately following the unit draw media launch on June 30, 2008. The draw was held on August 12, 2008. The Office of the City Auditor observed the process and later released a report that concluded the unit draw was accurate, fair and equitable. The City Auditor's office and City staff responsible for the unit draw also met to discuss and document process improvements for the future.

All of the 85 town homes were not subscribed through unit draw process. The remaining units were sold by the builders to eligible buyers on a first-come first served basis. Even though market conditions did not support a unit draw, it provided an excellent opportunity to pilot the process.

Program stakeholders overwhelmingly feel that in current market conditions a unit draw is not needed. This approach is successful when demand outpaces supply, but can potentially backfire if few people buy as it introduces the risk of the project looking like a failure. However, the unit draw process also has value as a marketing tool for introducing the product to market and building Program awareness. If a draw is not used, then some type of project registration could accomplish similar goals.

One stakeholder commented that the unit draw or a similar process should be used regardless of market conditions, as it is insurance for the City against challenges of impropriety. Programs that the City controls involving public lands must be brought on in an open and transparent process. Conversely, another stakeholder felt that if the Program's housing units are not subsidized and are priced at market value, a draw process is not needed particularly if units are coming on stream regularly.

In the homeowner survey, respondents were asked to rate the Program's Unit Draw and other processes on a 5 point scale, where 1 is very difficult and 5 is very easy. As shown below, all processes received a positive ranking but the Draw Process scored lowest in terms of ease of use.

- Application Process – 4.1
- Draw Process – 3.9
- Qualifying Process – 4.1
- Notification Process – 4.0
- Agreement Signing Process – 4.1

6.2 Program / Unit Marketing

In the early Program stages marketing efforts were joint. Among other things, the City undertook a Program launch, delivered a Home Program seminar, developed a web site, submitted articles and ads, as well as participated in joint mailouts with the builders. The campaign was information-intensive and there may have been some confusion related to people's understanding of Program benefits. But overall, it appears that the City did a good job of consistent messaging and providing information updates while conveying a suitable Program feel (not cheap or upscale).

The City had no clear parameters about when to turn the pilot projects over to the builders and there were challenges related to unanticipated market changes. Although the City's Program web site had lots of visits, few prospects applied during the unit draw. After the low response to the unit draw, the builders advised on changes to buyer eligibility criteria and became more involved in marketing activities.

Not all prospective buyers ended up participating in the Program and the reasons for this were not tracked at the time. It is known that the Program eligibility criteria at the start (no co-sign option, types of assets, etc.) contributed to some customer loss. There were also a few months where the overall housing market was very uncertain and potential buyers sought aggressively priced market housing. This was remedied once the Program's land and unit prices were adjusted.

As with any housing option one size does not fit all. There are potentially a number of reasons why some First Place prospects did not end up purchasing units. A pilot project builder shared the following:

- Some shoppers discovered they could afford much more and opted for single family homes.
- The project / units did not meet the needs of all prospects.
- Timing of unit delivery was an issue for some.
- Older resale homes with bigger yards in the area attracted some potential buyers.
- Some prospects were more interested in other neighbourhoods or closer to employment.

- Not all applicants qualified for the Program or had down payments.
- Some prospects did not like the Program restrictions – eg. 5 year lock-in, no option for variable rate mortgage, specific banks only, condo ownership, no garages, etc.

To measure level of interest in future First Place projects, consideration could be given to having the banks and/or builders track the number of inquiries and/or mortgage applicants.

For future development of Program sites, stakeholders were unanimous in their views that builders need to control unit marketing. They have the expertise, awareness of changing markets and knowledge of customers. The builders know best how to successfully launch and release the units based on market conditions. Creating a sense of urgency and maintaining momentum facilitates product sales. It is better to gradually introduce units to the market and builders know best how to launch and market housing products.

In terms of project timing, the City wants a process that ensures a quick project buildout and occupancy. The builder also requires some timing control as they cannot afford to hold units on spec nor do they want prolonged construction when schools are nearby.

If the builders' role is more prominent in future projects, there may be less push back from the community in terms of overcoming the perception that First Place units are 'social housing'. While the City's involvement at the front-end of the Program lends credibility to the project as a City initiative rather than developer-driven initiative, it was also noted that buyers want to deal with the private sector at the time of home purchase. People do not want to buy a 'City town house.' The City, however, cannot and should not be removed from the process entirely because of its involvement with Program elements related to community consultation, buyer eligibility and agreements. The City's messaging during the pilot projects was felt to be friendly and supportive to buyers.

The general consensus was that a combined marketing effort is needed, with the City handling Program communications and the builders marketing individual units – 'let the City sell the Program and the builder sell the bricks and mortar.' The City's involvement should be to raise awareness of the First Place Program, explain why it is being done, how it relates to municipal goals and what the Program benefits are. The City would also be the Program ambassador and spokesperson when communicating information to other municipalities and organizations. The City web site should continue as the primary communications tool, with additional support provided through articles, interviews, selected media buys and possibly a video on the pilot projects. Builder marketing materials would acknowledge the City's role by highlighting their involvement and referencing the City's Program web site.

In terms of marketing and communications for the remaining 18 sites, the City should maintain control of the overall Program message and host Program information for all sites under one umbrella. This will be especially important if many builders are involved in future projects. Ideally, visual identity guidelines for the First Place Program should be developed for use in future communications and consultation activities. Builders will produce their own marketing materials for unit sales but could apply the visual guidelines when referencing the Program.

6.3 Conclusions

- The First Place Program was very information-intensive and details evolved as it was being developed. Although this presented some challenges from a communications perspective, the City did a good job overall of messaging and providing Program updates.
- Based on stakeholder input, a unit draw is not needed in current market conditions. The unit draw process is appropriate in a market where demand outpaces supply, but can potentially backfire in a stable market when there are fewer buyers.
- At the start of the pilot project there was not a clear distinction between the marketing roles of the City and builders, as it was believed that the unit draw process would result in the sales of all 85 units. However, with the softening of the housing market, the unit draw was undersubscribed and the builders assumed a more active marketing role for unit marketing while the City continued to manage Program communications.
- For future projects, a combined marketing effort is needed with the City responsible for Program communications and the builder responsible for marketing units. *'Let the City sell the Program and the builder sell the bricks and mortar.'* Stakeholders were unanimous in their views that the builders control unit marketing in the future, as qualified builders have the expertise, awareness of changing markets and knowledge of customers.

6.4 Recommendations

- A City-managed web site should continue as the primary communication tool to build program awareness and explain objectives and features. This will also establish the Program's identity as a City-led initiative. The City web site will be the main umbrella for Program messaging and information as the remaining 18 sites are developed, which will help to ensure consistent messaging, particularly if many builders are involved.
- The City should consider developing visual identity guidelines for the First Place Program to use in communication and consultation materials of all Program phases.
- The City could also consider providing additional marketing and communications support to the Program through articles, interviews, joint mailouts and a pilot project video.
- The City should consider using Community League resources in project communities to create an enhanced awareness of the Program intent and objectives.
- For future First Place projects developed under stable housing market conditions a unit draw is not needed. Builders should assume responsibility for town home marketing materials and activities, while acknowledging the City's involvement and referencing the Program web site on all print and electronic materials.

7.0 DEVELOPMENT APPROVAL PROCESS AND DELIVERY MODEL

7.1 Development Approval Process

Builders and City stakeholders commented that the development approval process worked in a timely and streamlined fashion. Although the City's standard process was followed, Program-related interdepartmental communications and the report to Council helped to eliminate many potential process delays for the pilot projects. Three items were noted for ensuring an even more streamlined approval process in the future:

- Eliminate the requirement to present to the Edmonton Design Committee (EDC) or make it an information session only. It was felt that EDC comments did not add value to the process, as the First Place projects are developed in a unique context with specific constraints. For example, the Canon Ridge town homes had a design that differed from that in the existing Homesteader community, but residents liked the fact the proposal was different and would stand out.
- Assign an experienced Development Officer familiar with the Program and available to speak to builders.
- The pilot projects were overseen and implemented by a Steering Committee and Working Committee. Simplify future project implementation with a single City oversight group that deals primarily with land. The Steering Committee is only needed when the Program is being redefined.

7.2 Land Sales and Master Agreement between City and Builder

A Land Sales and Master Agreement between City and builder was developed to define the partnership and delineate the City's and builders' roles and responsibilities. No suggestions were made for improvement as the current one works effectively and will be adapted as needed. For example, future agreements may need to address unit marketing if the City does not hold a unit draw. Both builders felt that the Master Agreement was straight forward and noted no problems.

7.3 Performance Agreement between City and Buyer

Performance agreements between the City and buyers required buyers to pay for the land at the end of 5 years. The City's buy back option and restrictive covenant will be discharged from the unit once the home owner pays for the land. If buyers fail to meet this obligation, the City will exercise its buy back option. The buy back option also safeguarded the Program from other breaches such as owners moving or renting out the town home unit in the first five years. As currently structured, the buy back option is at the City's discretion.

While many stakeholders commented that the agreement between City and buyer was complex and difficult to read, particularly for inexperienced first time buyers, the need for a comprehensive 'legalistic' document was understood. The agreement's complexity may have discouraged some

prospective buyers, particularly if assistance was not available to explain the details of the agreement.

The agreement seems to be working reasonably well, although many stakeholders suggested that it be simplified as much as possible, both to reduce the document's complexity and the City's administration time.

Although the Program's buy back option was designed to instill confidence in area residents, it makes the agreement more complex and raises more questions for City administrators, such as how to handle the resale of a unit that is bought back early. The City has not exercised the buy back option as ownership has been stable with minimal turnover. While reasonable checks and balances are needed to ensure Program integrity, there may be an opportunity to simplify the agreement.

In the survey, home owners were asked to rate the Program's processes in terms of ease of use. On a scale of 1 to 5, where 1 is very difficult and 5 is very easy, the Agreement Signing Process received a score of 4.1 from survey respondents.

7.4 Conclusions

- The Land Sales and Master Agreement between the City and project builders works effectively and no suggestions were made for improvement.
- The Performance Agreement between City and buyer works reasonably well although, it is felt to be complex for first time buyers.
- Respondents to the home owner survey did not find the Agreement Signing Process difficult giving it a score of 4.1 out of 5 in terms of ease of use.

7.5 Recommendations

- The City should modify the Master Agreement with builders to reflect changes to the unit draw and marketing process.
- The City should revise the Performance Agreement to reflect any changes made to the buyer eligibility criteria. Review the Performance Agreement to determine if it can be further simplified.
- The City should provide homeowners with advance notice of land payment four and eight months prior to payment date.

8.0 PROJECT DESIGN AND INTEGRATION

8.1 Home Owner and Stakeholder Perceptions

School Boards. Comments relate to the Greenview site only, as there are no schools near Canon Ridge. In terms of site design, the Edmonton Public School Board (EPSB) feels that student drop off patterns and traffic operations have changed somewhat at Greenview Elementary School because the school is perceived to be less accessible than in the past. Even with the pathway and use of Church parking lot, the town homes present a barrier and more parents are now stopping on the street to drop off students than before.

In terms of the site planning process for future sites, EPSB indicated that they would provide input as each site is brought on. All sites are different so impacts will be examined on an individual basis.

Edmonton Catholic Schools, although not directly involved in the pilot project sites, visited Greenview after its development and felt it was a positive addition to the community that would not detract from the name of the Edmonton Catholic Schools. Administration of the John Paul Elementary School, approximately one block east of the Greenview site, felt that the development is a good design that integrates physically and visually with the surroundings.

Community Leagues. Homesteader Community League representatives felt that Canon Ridge's design achieved integration with the surrounding community. The design process was completed after Landmark presented seven design options and modifications to the community group. In the Woodvale community, the walkway between the Greenview School and town homes helped to mitigate impacts and achieve integration.

Builders. One of the pilot project builders would have liked the option of including garages in the units. It adds little to the cost as the site can be more efficient and more yard space realized by putting parking under the units. Garages as opposed to open parking also reduce visual clutter and reduce the amount of area needing snow clearing, thus reducing condo fees. It was also suggested that relaxing the site design criteria would allow for more project innovation with minimal impact on pricing.

The project builders also commented on the provision of accessible units as inappropriate within the Program and should not be pursued in the future. Provision of accessible units requires careful programming of other support services and design of the building and outside spaces. Based on their current experience it is also difficult to sell an accessible unit built as stand-alone within the size requirements and the income cap restrictions of the Program.

City Administration. In discussions with the City administration regarding housing form for the Program sites there was interest in promoting innovative housing forms to meet the current and future housing needs in the City. Future First Place Program sites could serve as demonstration project sites for innovative housing forms currently not allowed in the CS 1, 2 or 3 Zone. The City may wish to explore a text amendment to the CS 1, 2 or 3 Zone to include but not be limited to new housing products as secondary suites, grow homes, big house design and work-live accommodation.

Homeowners. Homeowners were asked to comment on the site design, building design, unit design and integration of Canon Ridge and Greenview with the community. For detailed responses broken by site, refer to questions 7-14 in Chapter 9 of this report. Below is a summary of the key findings. Scores are based on a 5 point scale where 1 is low and 5 is high.

- **Site Design.** Site design features that scored highest related to site location (proximity to schools and parkland (4.6), shopping (4.4) and public transit (4.3). Features that scored lowest related to visitor parking (2.5) and garbage collection areas (3.0).
- **Building Design.** Attractiveness of the building exterior scored relatively high (4.1) while quality of construction received a neutral score (3.1). Sound proofing was noted as an issue in both developments.
- **Design of Town Home Unit.** Storage space received the lowest score (3.0) in this category followed by private outdoor space (3.1). Unit layout was the highest scoring item (3.9) although some respondents commented on the need for larger rooms.
- **Physical Integration.** Both Canon Ridge and Greenview received scores of 3.9.
- **Social Integration.** Greenview is perceived as being more socially integrated (4.0) than Canon Ridge (3.5).

8.2 Conclusions

- Only one issue was raised in relation to project design and integration. Student drop off patterns and traffic operations have changed somewhat at Greenview Elementary School, as the school is now perceived as being less accessible even with the pathway and Church parking lot.
- Both community leagues acknowledged the builders' efforts in addressing community and site design issues.
- Surveyed home owners gave high scores to site location and building exterior, but gave lower scores to visitor parking and garbage collection areas, storage space and quality of construction.
- Both pilot projects were perceived by home owners as being physically and socially integrated.

8.3 Recommendations

- The City should meet with Greenview Elementary School to achieve greater understanding of changes to student-related traffic operations and to apply learnings to future projects.
- The City should share learnings with future Program builders in regard to site design adjacent to active schools.
- Consider the option of including under-unit garages in future First Place projects so long as it does not significantly impact unit prices.
- Consider having First Place Program sites serve as demonstration project sites for innovative housing forms currently not allowed in the CS 1, 2 or 3 Zone. These could include but not be limited to such housing type as big house design, grow homes, secondary suites and work live accommodation.
- Based on pilot site experience,, nor further development of accessible units be included in the next phase of site development.

9.0 HOME OWNER SURVEY RESULTS

A questionnaire and letter of introduction from the City of Edmonton was mailed by the City to all 84 pilot project homeowners in early December 2010. Although there are 85 town home units in the pilot project, one Canon Ridge unit remains unsold. Home owners had the option of completing the survey online or by mailing it in a self addressed envelope. To encourage a good response rate, the consultants phoned each home owner the week of the mailout to introduce the project and to ask for participation. Two followup phone calls were also made in mid-December reminding home owners to respond to the survey. A total of 37 home owners responded which resulted in a 44% response rate. This equates to a $\pm 12\%$ margin of error at a 95% confidence interval.

9.1 Survey Results

1. *How did you hear about the Program? Check all that apply.*

- Internet – 10
- Friend or Family – 7
- Builder's Ad - 6
- Newspaper / Magazine article – 6
- City Ad – 2
- Radio - 1
- Other - 10 :
 - Drove by site – 3
 - Comfree – 2
 - Mayfield Centre condo exhibit – 1
 - Billboard in neighbourhood – 1
 - Condo expo – 1
 - Relative working on site – 1
 - Viewed town home unit - 1

The Internet was the media that contributed most to home buyers awareness of the Program. This was followed by word of mouth, builders' ads, and articles in publications.

FIRST PLACE PROGRAM FEATURES

2. *How important were each of the following Program features in your decision to purchase your home? Please rate each of the items below on a scale of 1 to 5. (1 = Not at all Important and 5 = Very Important)*

Table 2: Importance of Program Features on Buying Decision

	Score
Five-year deferred land payment	4.3
Reduced CMHC mortgage insurance rates	4.4

Were there other factors influencing your decision to purchase your home in the pilot sites?

- Price – 9
- Unit design / new construction – 4
- Builder reputation and support - 3
- Proximity to family / friends – 3
- Invest in mortgage rather than rent - 2
- Condo ownership - 2

3. *Without the Program, would you have purchased your home when you did?*

No – 18 (48.6%)

Yes – 10 (27.0%)

Don't Know – 9 (24.3%)

In terms of factors that influenced the buying decision, home buyers gave a high ranking to all three Program features - five-year land deferral, CMHC insurance and location. Price was also cited as another decision factor for many. The Program enabled 48.6% of respondents to buy their homes when they did - the remainder would have purchased without the Program (27%) or were not sure (24.3%).

FIRST PLACE PROGRAM PROCESS

4. *On a scale of 1 to 5, rate the ease of use of the Program's processes by circling the number that best represents your response. (1 = Very Difficult and 5 = Very Easy)*

Table 3: Ease of Use of Program Processes

	Score
Application process	4.1
Draw process	3.9
Qualifying process	4.1
Notification process	4.0
Agreement signing process	4.1

5. *If you encountered difficulties with any of the above processes, please explain and comment on how the process could be improved for future applicants.*

- Problem with bank - service, mortgage calculations, Program knowledge – 4
- Poor sales service from builder – 1
- Long drive to Fort Saskatchewan to sign documents - 1

Generally, home owners found the Program's various processes easy to use. Of the few difficulties reported most were banking related.

SITE DESIGN OF TOWN HOME DEVELOPMENT

6. *On a scale of 1 to 5, rate your level of satisfaction with the following site design features by circling the number that best represents your response. (1 = Very Dissatisfied and 5 = Very Satisfied)*

Table 4: Satisfaction with Site Design

	Overall Score	Canon Ridge Score	Greenview Score
Landscaping	3.3	3.1	3.4
Walkways	3.8	3.7	3.8
Resident parking	3.4	3.3	3.5
Visitor Parking	2.5	2.3	2.6
Fencing	3.5	3.5	3.4
Garbage collection area	3.0	2.1	3.6
Proximity to schools and parkland	4.6	4.6	4.6
Proximity to shopping	4.4	4.3	4.4
Proximity to public transit	4.3	4.6	4.2

7. *Please provide comments or suggestions for improving the site design of future First Place Program projects. Note: This question was optional. The number following each item below indicates the number of respondents who made similar comments. 5 responses represent about 12% of units.*

Cannon Ridge

- Garbage area – unclear where, unsightly, need garbage bins or dumpster – 5
- Visitor parking – inadequate number or used by residents – 5
- Resident parking: only one stall per owner in front of units; need stall lines/labels - 3
- Resident parking covered in mud because landscaping incomplete – 2
- Landscaping and fencing not finished - 2
- Poor grading behind unit makes space unusable – 1

Greenview

- Visitor parking: need more – 2
- Walkways: maze-like design; too close to dining room windows - 2
- Landscaping: done incorrectly/needs redoing; hodge-podge of tree types/sizes - 2
- Garbage collection area: not big enough; needs to be fenced – 2

- Prefer privacy in backyard – 1
- Provide back yard - 1
- Don't rush and cut corners to meet deadlines - 1

Site design features that home owners at both sites were most satisfied with related to proximity to services and amenities (4.3-4.6) followed by walkways (3.8). Low scoring items at Canon Ridge were the garbage collection area (2.1) and visitor parking (2.3). Greenview's low scoring items were visitor parking (2.6) and fencing and landscaping (both 3.4). Suggestions for improvement at both sites focused primarily on the garbage collection areas, visitor parking and landscaping.

BUILDING DESIGN OF TOWN HOME DEVELOPMENT

8. *On a scale of 1 to 5, rate your level of satisfaction with the following building design features by circling the number that best represents your response. (1 = Very Dissatisfied and 5 = Very Satisfied)*

Table 5: Satisfaction with Building Design

	Overall Score	Canon Ridge Score	Greenview Score
Quality of construction	3.1	3.2	3.0
Attractiveness of building exterior	4.1	3.9	4.2
Sound proofing	3.5	3.6	3.4

9. *Please provide comments or suggestions for improving the building design of future First Place Program projects. Note: This question was optional in the survey. The number following each item below indicates the number of respondents who provided similar comments. 5 responses represent about 12% of units.*

Canon Ridge

- Soundproofing needed: noise through walls & doors that need to be slammed in winter– 6
- Many deficiencies - 2
- Solid doors preferable - 1
- Building overall feels cheap - 1
- Basements should be finished - 1

Greenview

- Better sound proofing needed – 4
- Many deficiencies, need more quality checks, no followup by builder on 3 month inspection– 4
- Builder made changes to unit design that were not communicated to all – 1
- Poor quality and basement unfinished – 1

In terms of building design, attractiveness of the building exterior received the highest score (4.1) for both projects, followed by sound proofing (3.5). The overall quality of construction was rated average for both developments (3.1). Respondents' suggestions for improvement focused primarily on the need for better sound proofing and addressing building deficiencies.

DESIGN OF YOUR TOWN HOME UNIT

10. On a scale of 1 to 5, rate your level of satisfaction with the following features of your town home unit by circling the number that best represents your response. (1 = Very Dissatisfied and 5 = Very Satisfied)

Table 6: Satisfaction with Unit Design

	Overall Score	Canon Ridge	Greenview Score
Size of Unit*	3.8	3.3	4.1
Unit layout	3.9	3.5	4.1
Finishing materials (eg. Flooring, cabinets)	3.8	3.7	3.8
Storage space	3.0	2.4	3.4
Private outdoor space	3.1	2.9	3.2

**Note: Greenview units were 905-921 sq ft for a 2 bedroom and 1,173-1,185 sq ft for a 3 bedroom
Canon Ridge units were 1,106 sq ft for a 3 bedroom*

11. Please provide comments or suggestions for improving the unit design in future First Place Program projects. Note: This question was optional in the survey. The number following each item below indicates the number of respondents who provided similar comments. 5 responses represent about 12% of units.

Canon Ridge

- Add more storage space / hallway closet upstairs – 5
- Living room too small – 2
- Small fenced yard would be nice – 2
- Two spare rooms too small to fit bed and desk in – 2
- Hardwood/laminate in kitchen and bathroom warps very easy from water – 2
- Prefer one big bedroom to 2 small ones – 1
- House too small - 1
- Place furnace and hot water tank in corner to facilitate finishing of basement – 1
- Flooring seems cheap - 1
- Add steps from back deck to grounds for convenience and emergency - 1

Greenview

- Want larger outdoor area (10' x 8' grass area not big enough) – 2
- Not enough storage space – 2
- Cupboards should be 1" deeper for storage and pantry needs to be wider – 1
- All units should have 3 bedrooms – 1
- Kitchen / dining area should be larger - 1
- Light switches in odd places – 1
- Flooring damages easily – 1
- Paint chips and peels easily – 1
- Not satisfied with stairs to upper floor, foyer and back deck – 1
- Add fencing for dogs – 1
- Have private back yards for all residents - 1

In terms of town home unit design, Canon Ridge respondents gave the highest score to finishing materials (3.7) and the lowest scores to storage space (2.4) and private outdoor space (2.9). Greenview respondents ranked unit size and unit layout high (4.1) and scored private outdoor space lowest (3.2). Canon Ridge home owners' suggestions for improving unit design referred to inadequate storage space and small unit/room size, while the suggestions of Greenview residents were quite varied.

INTEGRATION WITH COMMUNITY

12. *On a scale of 1 to 5, rate how well the town home development integrates with the existing community by circling the number that best represents your response. Physical Integration refers to how the development ties into the surrounding neighbourhood. Social Integration refers to feeling welcome by the community. (1 = Not Integrated At All and 5 = Very Well Integrated)*

Table 7: Perceived Physical and Social Integration

	Overall Score	Canon Ridge Score	Greenview Score
Physical Integration	3.9	3.9	3.9
Social Integration	3.8	3.5	4.0

13. *If you feel that it is not well integrated, please explain why.*

One Greenview resident commented, suggesting that there be a common space for community meetings.

Both developments scored relatively high (3.9) in terms of physical integration, while social integration was felt to be higher at Greenview (4.0) when compared to Canon Ridge (3.5).

CONDOMINIUM ARRANGEMENT

14. *Are you generally satisfied with the town home development's condominium ownership arrangement?*

Yes – 28 (80%)

No - 7 (20%)

The majority of home owners are satisfied with the condo ownership arrangement. Of those not satisfied, they reported a preference for full ownership to eliminate condo fees and to allow for alteration of the building exterior. One Canon Ridge resident commented that condo fees provided little in return, as the parking lot had been plowed only once and residents shovel their own sidewalks.

OTHER

15. *What type of housing did you live in immediately before purchasing your town home unit? Please select one.*

- Apartment - 22 (63%)
- Single Detached Home - 6 (17%)
- Town House - 3 (9%)
- Other - 4: (11%)
 - Parent's home – 2
 - Modular home – 1
 - Bilevel – 1

16. *If you were moving today, what would your preferred housing type be? Please select one.*

- Apartment - 0
- Duplex - 2 (5.5%)
- Town House - 1 (2.8%)
- Single Detached Home - 30 (83%)
- Other: - 3 (8.3%)
 - Acreage – 2
 - Any house with a garage – 1

17. *Would you recommend the First Place Program to friends or family seeking to purchase their first home?*

Yes - 27 (77.1%)

No - 3 (8.6%)

Don't Know - 5 (14.3%)

18. *At the end of your 5 year land deferral period, do you think you will stay in your current unit or move?*

Stay – 7 (19.4%)

Move - 13 (36.1%)

Not Sure - 16 (44.4%)

If you chose 'Move', please explain why.

- Planning to move from Edmonton – 2
- Growing family and/or house too small - want more space, yard and/or garage – 9

19. *As part of the Program agreement with the City of Edmonton, homeowners are required to pay for the land cost 5 years after the unit purchase. Do you anticipate any financial challenges related to this land payment? If so, please explain.*

The majority of respondents did not anticipate any problems with the deferred land payment. One commented that 'it just gets tacked onto the mortgage' while others are prepared and planning for this. A few home owners were unsure of future financial challenges, indicating that it was too early to comment as it would depend on changes related to employment, income and level of debt.

20. *Do you have any Program improvement suggestions for the City to consider on the remaining 18 sites?*

- Add garages - 3
- Ensure that mortgage lenders better understand Program and process - 2
- Plan landscaping better to avoid mud in spring – 2
- More attention to building and unit finishes - 1
- Bigger units with more space and yards - 1
- Shorten 5 year occupancy to 3 years - 1
- Better building sound proofing – 1
- Open floor layout – 1
- Increase visitor parking - 1
- Provide extra parking stalls for purchase rather than rent through condo board - 1
- Have City more involved in setting future unit prices – 1
- For warranty work, have builder better accommodate home owner schedule (first time buyers work hard and have to take time off for contractors to complete work on deficiencies) - 1
- Add more construction quality checks - 1

21. *Do you feel that the current First Place Program still has value for new home owners today?*

Yes – 29 (78.4%)

No – 2 (5.4%)

Don't Know – 6 (16.2%)

Four respondents provided comments:

- “We were under the impression that our mortgage wouldn't include \$20,000 or so for the deferred land. In the end our mortgage is for the full amount including land. I don't see the point. Now we have a larger mortgage than what we expected and we are stuck in this home for 5 years for no reason.
- The price of these units is no different than those of private developers but involves the City when it comes time to dispose of the unit. The City still expects to get its land costs.
- Saves a bit of payment off the top but in return you are locked in for 5 years.
- Great opportunity for young people to own and not rent. If I own I put my money towards my future.”

RESPONDENT INFORMATION

22. *Are you a resident of:*

Greenview Landing – 22 (59.5%)

Canon Ridge – 15 (40.5%)

23. *How many people live in your household:*

Avg. # of adults (including respondent) – 1.8

Avg. # of children (under age 19) – 0.5

24. *Are you part of a couple household (married or common law) or single household?*

Couple – 23 (62.2%),

Single – 14 (37.8%)

25. *What is your occupation? (Note: some couple respondents provided occupation of both adults)*

- | | |
|--------------------------|-----------------------------|
| • Administration – 6 | • Labourer/Construction – 3 |
| • Student – 3 | • Banking / Insurance – 2 |
| • Government – 2 | • Truck driver – 2 |
| • Audio Technician – 1 | • Survey technician – 1 |
| • Car detailer – 1 | • Wellhead technician – 1 |
| • Military – 1 | • Bartender – 1 |
| • Police officer – 1 | • Self employed – 1 |
| • Nurse – 1 | • Letter carrier – 1 |
| • Retail – 1 | • Industrial hygienist – 1 |
| • Shipper / receiver – 1 | • Sales – 1 |

- Media – 1

26. *What age group do you belong to:*

- 20-25 - 10 (27.0%)
- 26-30 - 12 (32.4%)
- 31-35 - 6 (16.2%)
- 36-40 - 3 (8.1%)
- 41-45 - 3 (8.1%)
- 46-50 - 1 (2.7%)
- 50+ - 2 (5.4%)

9.2 Conclusions

- The Internet was the predominant media from which home buyers first heard about the Program. This was followed by word of mouth, builders' ads, and articles in publications.
- In terms of influence on their buying decision, home buyers gave a high ranking to all three Program features - five-year land deferral, CMHC insurance and location. Price was also cited as another decision factor for many.
- The Program enabled 48.6% of respondents to buy their homes when they did - the remainder would have purchased without the Program (27%) or were not sure (24.3%).
- Home owners generally found the Program's various processes easy to use.
- Site design features that home owners were most satisfied with at both sites were proximity to services and amenities (4.3-4.6) followed by walkways (3.8). Low scoring items at Canon Ridge were the garbage collection area (2.1) and visitor parking (2.3). Greenview's low scoring items were visitor parking (2.6), and fencing and landscaping (both 3.4). Suggestions for improvement focused primarily on garbage collection areas, visitor parking and landscaping.
- The highest scoring building design features for both projects were attractiveness of the building exterior (4.1) followed by sound proofing (3.5). Overall quality of construction was rated average for both developments (3.1). Suggestions for improvement focused primarily on better sound proofing and addressing building deficiencies.
- In terms of unit design, Canon Ridge respondents scored finishing materials highest (3.7) and storage space (2.4) and private outdoor space (2.9) lowest. Greenview respondents ranked unit size and unit layout high (4.1) and scored private outdoor space lowest (3.2). Canon Ridge suggestions for improving unit design included more storage space and larger unit/room size, while the suggestions of Greenview residents were quite varied.
- Both developments scored relatively high (3.9) in terms of physical integration. Social integration was felt to be higher at Greenview (4.0) when compared to Canon Ridge (3.5).
- Most home owners (80%) are satisfied with the condo ownership arrangement. Of those not satisfied, a preference for full ownership to eliminate condo fees and allow for building exterior alteration was stated.
- 63% of home owners had lived in an apartment prior to purchasing a First Place unit.
- 83% of home owners indicated a preference for a single detached home if moving today.
- 77% of survey respondents would recommend the First Place Program to friends or family.
- At the end of the five year land deferral, 19% of respondents thought they would stay, 36% plan on moving and 44% are not sure.
- 59.4% of home owners are in the 20-30 year age group.

9.3 Recommendation

- Share home owner survey results with current and future project builders to incorporate suggestions in the design of future projects.

10.0 HOUSING MARKET ANALYSIS AND PROGRAM IMPLEMENTATION

This section summarizes the research and findings of the quantitative housing market analysis completed for the First Place Program Evaluation, as well as input received during stakeholder consultation with builders and realtors. The complete Housing Market Analysis Report is included in Appendix A.

10.1 Entry Level Housing Market

Discussions with the pilot project builders and the Canadian Home Builders Association of Edmonton strongly suggest that the market for first time buyers in Edmonton has increased in the past few years. With stability and anticipated growth in the economy, the market share for this group is expected to increase. Depending on affordability and lifestyle choice, the desired housing type for first time buyers ranges from single detached houses with yards to condominium style units.

Based on the market analysis, there is currently plenty of choice in the multifamily market with a large inventory that is forecast to last beyond the year 2011. However, discussions with builders strongly suggested that there is a high demand for modest sized, entry level, family oriented units priced in the range of \$250,000 to \$ 275,000 and located near amenities such as schools and parks.

Builders noted that the market share for town home units in comparison to other multifamily unit types, such as apartment condos, is expected to increase due to lower condo fees and higher desirability for families. This claim was also substantiated in discussions with stakeholders from the financial institutions.

The market analysis conducted in January 2011 identified a total of 18 town home developments in the city either recently constructed or planned for construction. The total supply of units from these 18 developments is approximately 1,449 units. Based on the analysis:

- The unit sizes for most development in the current market range from 1,200 sq ft to 1,450 sq ft, and average prices range from the \$220,000 to \$300,000;
- Per square foot prices for the majority of town home developments ranged between \$220 and \$260.
- Discussions with the pilot project builders suggested that a comparable unit to those built on the pilot sites in the current market would cost approximately \$250,000 per unit without a garage up to \$280,000 with a garage. The price per square foot may range from \$245 to \$260 depending on finishes and whether it is an end unit. The First Place Program pilot units had a more favorable price range of \$214 to \$245 per square foot in 2009, when the prices were generally higher than those in 2010.
- Geographically, the majority of the developments were located in the southeast and southwest zone of the city with 514 and 393 units respectively, followed by the northeast

zone which had 348 units under development. In comparison, the central zone and the west zone had the least number of developments, with 80 units and 135 units respectively

10.2 Market Absorption

Based on the market analysis the following are the conclusions relating to market demand and absorption rates for town home units:

- Based on historic trends for new housing starts, 62% of all housing starts in the Edmonton CMA have occurred within the City of Edmonton. With regard to multifamily unit starts, 77% of all multifamily unit starts have taken place within the City of Edmonton.
- For the year 2011, total new multifamily unit starts in the Edmonton CMA are forecasted to reach 3,600 units as developers are expected to reduce current inventories and increase pre-sales required to finance new projects.
- Based on the historic trends, it is assumed that 75% to 80% of the forecasted multifamily unit starts for Edmonton CMA will occur within the City of Edmonton, translating into a range of between 2,700 and 2,880 units.
- Based on 2009–2010 building permit data for the Edmonton CMA, town home units form approximately 20%–22% of all multifamily unit starts. Based on this trend, the forecasted demand for town home units in the City of Edmonton for the year 2011 can range from a low of 540 units to a high of 633 units.
- Based on CMHC's Market Outlook, at the absorption rates experienced in 2010 the current inventory level is estimated to last until the first quarter of 2012. With this assumption, demand for new town home units in Edmonton will be approximately 540-633 annually until 2012.
- Assuming that market conditions remains stable until the year 2012, we anticipate a 5% annual increase in the percentage of town home units that can be absorbed in the City of Edmonton until 2015.
- Based on these assumptions the following is a five year forecast for the demand of town home units in the City of Edmonton:
 - Assuming the 2010 development activity level, the anticipated absorption rate for town home units in 2011 and 2012 will range between 540 – 633 units.
 - Assuming a 5% increase in absorption rates, the anticipated absorption rate for town home units in 2013 will range between 567 – 608 units.
 - Assuming a 5% increase in absorption rates, the anticipated absorption rate for town home units in 2014 will range between 595 – 638 units.
 - Assuming a 5% increase in absorption rates, the anticipated absorption rate for town home units in 2015 will range between 625 – 669 units.

Table 8: Anticipated Demand for Town Home Units 2011-2015

Year	2011	2012	2013	2014	2015
Anticipated Demand for Town Home Units (low to high)	540 -633 units	540-633 units	567 -608 units	595 – 638 units	625 – 669 units
Percentage Gain	2010 Level	2010 Level	+ 5% annual	+ 5% annual	+ 5% annual
Total Units 2011 - 2015	2867 – 3181 units				

Discussions with builders suggest that the absorption rate for town home units built under the Program can range from 18 to 22 units per site per year. It was also suggested that one builder could develop up to three sites simultaneously. The sites can be developed without competing with each other as long as they are dispersed across the city.

If it is assumed that four (4) First Place school sites are concurrently developed across the city then the total absorption rate will be in the range of 72 to 88 units per year. This would constitute approximately 13% - 14% of the total absorption rate per year for the year 2011 and 2012.

By 2014, with the anticipated increase in absorption rates, it may be possible to develop up to five (5) sites concurrently, which would have an absorption rate of 90 to 110 units per year. This would constitute approximately 15% - 17% of the total absorption rate for the year 2014.

As discussed in Section 5 of the Housing Market Analysis Report (see Appendix A), the total number of town home units that can be developed on the remaining 18 sites is 867 units. With a maximum annual absorption range of 88 to 110 units depending on whether four or five sites are being developed concurrently, the maximum time frame for the build out of all 18 sites should not exceed 10 years.

10.3 Implementation

There are 18 remaining First Place school sites distributed across the city. Based on the suggested absorption rates from the builders and the market analysis, it is suggested that the project be built out in four phases as shown in Table 9. All four phases combined are expected to yield approximately 865 additional units.

Based on discussions with the pilot site builders, it was established that total build out period for every site is approximately three (3) years, which includes six (6) months for initial consultation, design and marketing process, followed by two (2) years for completing construction and six (6) months for completing sales and occupancy.

It is expected that each phase will take approximately three (3) years from initiation to completion and will include four to five surplus school sites developed concurrently across the various City zones. Northeast and Southwest zone of the City has the highest number of surplus school sites, creating a scenario where more than one site will be required to be developed concurrently in the same City zone during the same phase. However the geographic distribution of the sites across neighbourhoods can ensure that no two sites within the same City zone compete with each other for development.

The Canadian Home Builders Association made suggestions that the release of each phase should include a time interval of two years. With an estimated lifecycle of three (3) years, release of new sites every two years will ensure that there is some overlap and continuous supply of units into the market.

Based on the discussions with the pilot site builders, suggestions from the Canadian Home Builders Association and the market analysis conducted to support this report (Appendix A), the proposed phasing for the implementation of the remaining 18 First Place school sites is shown in Table 9:

Table 9: Proposed Implementation for Remaining First Place Sites

Phase	City Zone					
	Northeast No of Sites Neighbourhood	Northwest No of Sites Neighbourhood	West No of Sites Neighbourhood	Southwest No of Sites Neighbourhood	Southeast No of Sites Neighbourhood	Total Sites
Phase I (2012-2015)	1 Sites McLeod Casselman	1 Site Caernarvon		1 Site Skyrattler	1 Site Tawa	4 Sites
Phase II (2014-2017)	2 Sites Kernohan Sifton Park	1 Site Dunluce		1 Site Blue Quill	1 Site Michael Parks Public School	5 Sites
Phase III (2016-2019)	1 Site Kirkness		1 Site Dechene	2 Sites Haddow Twin Brooks	1 Site Michael Parks Catholic School	5 Sites
Phase IV (2018-2021)	1 Site Belle Rive			2 Sites Bears paw Bulyea Heights	1 Site Larkspur	4 Sites
Total	5 Sites	2 Sites	1 Site	6 Sites	4 Sites	18 Sites

10.4 Conclusions

- For the year 2011, total new multifamily unit starts in the Edmonton CMA are forecasted to reach 3,600 units as developers are expected to reduce current inventories and increase pre-sales required to finance new projects.
- Based on the historic trends, it is assumed that 75% to 80% of the forecasted multifamily unit starts for Edmonton CMA will occur within the City of Edmonton, translating into a range between 2,700 and 2,880 units.
- Based on CMHC's data relating to absorption rates for town homes as discussed in Section 10.2, the following is a five year forecast for the demand of town home units in the City of Edmonton:

- Assuming the 2010 development activity level, the anticipated absorption rate for town home units in 2011 and 2012 will range between 540 – 633 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2013 will range between 567 – 608 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2014 will range between 595 – 638 units.
- Assuming a 5% increase in absorption rate, the anticipated absorption rate for town home units in 2015 will range between 625 – 669 units.
- Based on the discussions with the pilot site builders, the absorption rate for town home units built under the Program can range from 18 to 22 units per site per year.
- If it is assumed that four (4) surplus school sites are concurrently developed across the city then the total absorption rate will be in the range of 72 – 88 units per year. This would constitute approximately 13% - 14% of the total absorption rate per year for the year 2011 and 2012.
- By 2014, with the anticipated increase in absorption rates, it may be possible to develop up to five (5) sites concurrently, which would have an absorption rate of 90-110 units per year. This would constitute approximately 15% - 17% of the total absorption rate for the year 2014.
- Based on a annual absorption range of 88 – 110 units, depending on whether four or five sites are being developed concurrently, the maximum time frame for the build out of all 18 sites should not exceed 10 years.

10.5 Recommendations

The recommended Program implementation for the remaining 18 First Place school sites is as follows:

- Plan and develop four sites in Phase I (2010-2015) in the following neighbourhoods:
 - McLeod Casselman, Northeast Edmonton
 - Caernarvon, Northwest Edmonton
 - Skyrattler, Southwest Edmonton
 - Tawa, Southeast Edmonton
- Plan and develop five sites in Phase II (2014-2017) in the following neighbourhoods:
 - Kernohan, Northeast Edmonton
 - Sifton Park, Northeast Edmonton
 - Dunluce, Northwest Edmonton
 - Blue Quill, Southwest Edmonton
 - Michael Parks (Public School), Southeast Edmonton
- Plan and develop 5 sites in Phase III (2016-2019) in the following neighbourhoods:
 - Kirkness, Northeast Edmonton
 - Dechene, West Edmonton
 - Haddow, Southwest Edmonton

- Twin Brooks, Southwest Edmonton
- Michael parks (Catholic School), Southeast Edmonton

Based on the density of 42 units per hectare currently permitted in the RF5 Row House Zoning, Phase III will result in a total of 208 units.

- Plan and develop four sites in Phase IV (2018-2021) in the following neighbourhoods:
 - Belle Rive, Northeast Edmonton
 - Bearspaw, Southwest Edmonton
 - Bulyea Heights, Southwest Edmonton
 - Larkspur, Southeast Edmonton
- Ensure that the flexible First Place Program implementation plan is flexible. Housing market conditions should be reviewed at the end of each phase of development to inform decisions regarding the number and location of sites to bring to market in subsequent phases.

11.0 REFERENCES

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Appendix A

First Place Home Ownership Program Evaluation

Housing Market Analysis