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Land Matter - 22 St. Thomas Street

Presented by: Lory Scott, Affordable Housing Liaison, Planning Department

RECOMMENDED MOTIONS

1. That an exception to the requirement to dispose of City owned land at market value, as set out in Land Transactions Policy C-ED-03, be approved for disposition of City owned land at 22 St. Thomas Street;
2. That the Chief Administrative Officer is directed to execute on behalf of the City, an agreement with Homeland Housing for sale of the land at 22 St. Thomas Street for nominal consideration, for the purpose of building and operating a mixed-income, mixed residential and commercial development on the site with a minimum term of 30 years for the non-market housing units within the development and otherwise upon terms and conditions satisfactory to the Chief Administrative Officer;
3. That the market value of the said land be deemed the City's equivalent monetary contribution towards the non-market housing component of the intended development.

PURPOSE OF REPORT

This report seeks approval of the disposition of the land at 22 St. Thomas Street to Homeland Housing for the purposes of building and operating a mixed residential and commercial development on the site.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

Strategic Priority #2: Economic Development: Enhance business/commercial growth.

- Develop and implement strategies or non-traditional economic development activities.
- Develop catalyst strategies for new business opportunities within the community.

Strategic Priority #4: Infrastructure Investment: Identify and build needed capital assets.

- Identify feasible strategies for near term development horizons for community facilities inclusive of land, financing, and partnership opportunities.

Strategic Priority #5: Housing: Enhance housing options.

- Work with regional partners to explore the creation of additional housing options to address issues of affordability and accessibility and review best practices for alternative financing.
- Facilitate an increase in the variety of housing types in St. Albert to respond to market demands and accommodate the diverse needs of residents.

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

N/A

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

On November 18, 2019, Council approved the following motion:

(CM-19-032)

That Administration initiate an Expression of Interest (EOI) on 22 St. Thomas Street and 2 St. Anne Street that would utilize the land, (either as a long-term lease or donation) as the City's contribution to a residential and commercial development, and that the evaluation criteria include the percentage of affordable housing units provided at a minimum of 20% below market rates. That Administration report back to Council on the results of the EOI by May 30, 2020.

Previous discussions on this matter were pursuant to Section 24(1)(a) of the *Freedom of Information and Protection of Privacy Act* (advice, proposals, recommendations, analysis, or policy options developed by or for Council). Confidential Administrative Reports and details of in camera discussions remain confidential pursuant to Section 153(e) of the *Municipal Government Act* (MGA).

BACKGROUND AND DISCUSSION

The City issued an Expression of interest (EOI) in early 2020 as a means of design discovery and information gathering purposes to determine what ideas, concepts, or specific responses could be feasibly developed on the City owned downtown site, in alignment with Motion CM-19-032. The EOI was not a competitive solicitation, or an obligation on the City's part to enter into any contract or make any purchase.

The EOI process has confirmed interest in developing the site, addressing Council's strategic priorities of housing affordability and accessibility. All development proposals included a mixed-income housing model of varying percentages, supporting internal cross-subsidization of the non-market units within the development model through the rents collected from commercial and residential market units. Individual proposals included a range of 10% to 75% of the units at 20% less than market rates (non-market affordable), dependant on the building form and the number of stories proposed within the development. Environmental, social, and community benefits were

included within the EOI process and identified within submitted proposals.

All submissions requested the transfer of full ownership of the land for nominal consideration of \$1 - \$10. A land lease option was not preferred, due to additional complications with obtaining financing and refinancing within the mortgage term. Federal and Provincial programs dedicated towards housing stipulate that municipal support and resources supporting the partnership are a primary requirement to access available housing grants and preferred financing programs. Opportunities to leverage funding from other sources for housing initiatives will be severely diminished without dedication of municipal resources, such as land dedication.

It is important to note that none of the submissions received called for the City to take any active role in the process of developing housing on the site, apart from providing the land at less than market value. Hence, no further procurement process is required to move forward; the City could simply negotiate with one or more of the proponents to arrive at the best possible arrangements for Council to consider approving in an open meeting.

Evaluation Process

Based on an evaluation by Administration, the details contained within the submissions and supportive presentations, and an independent financial review of shortlisted project proformas through Canada Mortgage and Housing Corporation (CMHC), Administration is recommending that Council approve the disposition of the land at a nominal rate to Homeland Housing. Homeland's original proposal included 172 units within 5 and 12 storey buildings, including 75% of the units rented at 20% below market rates.

In June 2021, amendments were undertaken to the Downtown District revising maximum building heights from stories to metres. The consolidation of 2 St. Anne Street and 22 St. Thomas Street into a single site resulted in a normalization of the permitted building heights to a maximum of 24 m, the lower height range of the two previous parcels.

Homeland's proposed development form and project proforma will need to be revised to align with the amended land use requirements, requiring a reduction in building heights, and the number of units to be developed on the site. The housing mix may also need to be revised based on project costs and sustainability of operations.

Homeland Housing

Homeland Housing is St. Albert's local Housing Management Body (established through Provincial Ministerial Order) responsible for administering provincial seniors and affordable housing programs in St. Albert and ten municipalities and counties ranging from the Municipal District of Lesser Slave River No. 124 to St. Albert. One member of St. Albert City Council is appointed to Homeland's Board of Directors providing St. Albert's continued voice in Homeland's operations. Homeland currently manages 826 units in its member municipalities, including 230 units in St. Albert specifically for seniors over the age of 65.

In February 2021, Homeland opened its first net zero affordable housing project for families of all ages in Morinville, receiving \$10.7 million from the Province to develop 40 units on the site. The town donated the land and provided \$750,000 in funding towards the project.

Allocation of the city owned site towards the intended development will expand Homeland's operations in St. Albert, enabling the provision of housing for households of all ages, income levels, and family structures. This direction is also in alignment with the newly released Provincial Housing Strategy to increase capacity, expand local decision-making, and move to operating agreements that allow for innovative housing models such as mixed-income developments based on operating costs and below-market target ranges.

Since the proposed development has a commercial component, part of the City's due diligence will be obtaining reasonable assurance that Homeland Housing has the legal capacity to own and operate commercial real estate in support of a housing development in which the majority of the units are intended to be rented at less than market rental rates.

Land History

The proposed development site is identified in the Downtown Area Redevelopment Plan Bylaw 5/2010 as a redevelopment opportunity. The land was originally part of the 5.44 ha. owned by the City downtown within the 1977 lot consolidation prior to the development of St. Anne Street. Refer to the attachment entitled "Subdivision and Development History of 22 St. Thomas Street".

The City listed 2 St. Anne Street and 22 St. Thomas Street for sale in the spring of 2019. There was no interest in purchasing the land at the list price of \$3,819,400, from the twenty-three developers contacted by the realtor engaged by the City over the listing period. The property was subsequently taken off the market.

In May 2021, the parcels previously described as 22 St. Thomas Street and 2 St. Anne Street were consolidated into a single property with the municipal address of 22 St. Thomas Street. The lot consolidation was completed as 2 St. Anne Street was unlikely to be developed on its own due to the limitations presented by its unusual shape and size. The varying permitted building heights for the property were subsequently normalized to the lower height of the two previous parcels through amendments to the Downtown District in the Land Use Bylaw.

Next Steps

Confirmation of Council's intended direction is needed prior to Homeland committing funding towards design concept development, site studies, public consultation, and contractual arrangements with consultants.

The approach to enable housing affordability through the non-market disposition of land, is in alignment with the governance direction provided by Council through Motion CB-19-041:

- c. the City's Affordable Housing Strategy will clearly emphasize the City's role in: being open to proposals from a wide range of community partners in increasing affordable housing opportunities in St. Albert; and being open to providing one-time capital grants or land donations or long-term land lease options without providing ongoing operational funding.*

Policies approved within the *Municipal Development Plan* also support this direction. Refer to the attachment entitled "Alignment with Municipal Development Plan Policies".

Ultimately, the choice to work with Homeland Housing will make use of the City's surplus land asset

to contribute to Council's strategic goal to create additional housing options to address community issues of affordability and accessibility, also acting as a catalyst for new business opportunities for a vibrant downtown through a broader population base living there. The downtown site is optimally located near the Red Willow and Millennium Park systems, the museum, library, schools, retail businesses and employment, and is on a transit route within 1.2 km of the St. Albert Transit exchange station.

The land contribution would utilize the equivalent monetary value as the City's contribution to the project, currently assessed at \$2.79 million, without a significant impact to the current municipal budget, thereby achieving critical criteria necessary to apply for loan and grant funding opportunities from other sources. Opportunities to leverage funding from other sources for housing initiatives will be greatly diminished without the dedication of municipal resources.

Homeland has indicated that in previous discussions with regards to Morinville's Krauskopf Court, the Province was not willing to cover funding shortfalls to improve affordability. All new development considered for Provincial funding must be self-sustaining from internal revenue sources.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

Municipal process requirements and consultation will align with the City of St. Albert Public Participation Standards for Planning and Development Applications, should Land Use Bylaw amendments be required.

The 2021 Budget Engagement Survey received 146 responses to the question "When considering housing (i.e. accessible and affordable housing, emergency housing, ect.), the City should support or not support funding in this area. Eighty-three respondents (56.8%) said the City should support funding in this area. Sixty-three respondents (43.2%) said the City should not provide funding in this area.

The 2020 Community Engagement Survey provided data on the impacts of COVID-19 on quality of life with 43% of respondents feeling the impacts of COVID-19 as significantly important. Job loss (20%) and pay cuts / home related impacts (11%) were the most significant, which are linked to housing security. Of those surveyed, 81% had lived in St. Albert for more than 11 years. The survey results show that it is important for the City to endorse a range of housing options at varying price levels, and that support will be needed by residents impacted by job loss and pay cuts through COVID-19 containment measures.

Generalized feedback on housing diversity and housing supply was included within the 2019 Community Engagement Survey, which was a statistical representation of city residents. Two-thirds of survey respondents felt that a range of housing choices was important to have, with availability of both ownership and rental housing options for households of different income levels and stages of life.

Lack of rental housing options (57%) and rent being too high/expensive (32%) were the most significant reasons why rental housing did not fully meet expectations. Ownership housing options for different income levels and stages of life indicated that 58% of respondents reported that their expectations were met or somewhat met.

Internal city departments have been consulted with regards to the potential land disposition.

Feedback received has been positive.

IMPLICATIONS OF RECOMMENDED MOTIONS

Financial:

The capitalized cost to the City at the time of subdivision registration in 2004 was \$87,118.35 based on the current site area of 0.546 ha (including the removal of the traffic circle road allowance). The land sale at a nominal price of \$1 will record a loss of \$87,117.35 on the City's year end consolidated statements. The market land value will be included as the City's equivalent monetary contribution towards the project. The assessed value of the land was reduced from \$3.4 million to \$2.79 million when the lots were consolidated.

The City could receive around \$290,000 annually in property taxation revenue from the proposed development upon completion based on an estimated 130-unit development.

Leduc County and Strathcona County have assisted their Housing Management Bodies to improve the affordability of new developments by applying for preferred rate loans and extended loan terms through the Alberta Capital Finance Authority on the Foundation's behalf. Debt payments were the responsibility of the Housing Management Body. This strategy may impact the municipality's borrowing capacity, but provides a method to support new development without providing additional capital funding towards the project.

Legal / Risk:

The *MGA* section 70(1) requires the City to advertise if the municipality proposes to transfer or grant an estate or interest in land for less than its market value, unless the estate or interest is to be used by a non-profit organization as defined in section 241(f). As Homeland's corporate structure appears to fall within the non-profit organization definition, the agreement and the associated transfer of land for nominal consideration can proceed without the need for advertising.

This process is not without precedent in our municipality; in 2011, the City transferred ownership of 10 and 12 Nevada Place to the St. Albert Housing Society (a non-profit organization) for \$1 upon confirmation of separate grant funding to commence and complete the Big Lake Pointe affordable housing development. The property was previously purchased by the City at market rates, and the equivalent market value of the land facilitated the equivalent ownership transfer of 15 units in the development to the Society upon the project's completion.

Upon adoption of the recommended resolutions, approval by both the Chief Administrative Officer and Homeland's Board of Directors will be required in order for the land transfer and development agreement to be executed. Delegation of contract approval authority to the Chief Administrative Officer will enable development planning to proceed without further approval processes required from Council, unless Land Use Bylaw or Downtown Area Redevelopment Plan amendments are requested.

Program or Service:

The proposed development aligns with the governance direction provided by Council through Motion CB-19-041, while addressing Council's strategic priority #5 to address issues of affordability and accessibility by providing opportunities for St. Albert residents of varying incomes to thrive through:

- using an undeveloped resource already owned by the City to address Council's strategic priorities;
- diversifying the mix of people living downtown;

- supporting economic development and local jobs through new retail and commercial spaces;
- providing social spaces for community members and groups; and
- supporting environmental sustainability and social procurement measures.

The proposed development form also supports the principles identified through the COVID Recovery Task Force to:

- provide incentives for new development and growth initiatives;
- develop partnerships to drive innovation and development; and
- provide opportunities which increase inclusion and community connectedness within St. Albert, especially for the most vulnerable populations.

Organizational:

Economic Development is supportive of the approach to offer the land at less than market value. As a complement to St. Albert's downtown, this project accomplishes the objective around densifying the downtown core and revitalizing it, in alignment with the City's *Downtown Area Redevelopment Plan* and the *Municipal Development Plan*. Additional residents living downtown will add to the consumer base supporting the downtown business community. It is critical that the retail/commercial podium remain as a part of this development, not only to encourage commerce supportive of the development itself, but of the entire Downtown District.

Land disposition at less than market rates aligns with criteria identified in *Affordable Housing Policy C-P&E-06* under Housing Incentives, Programs, and Services.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

If Council does not wish to support the recommended motions, the following alternatives could be considered:

Alternative 1 - Direct Administration to investigate alternative partnership options through a Request for Proposal (RFP) process.

This alternative would delay the decision to Q3, 2022 to allow time for an RFP process and to evaluate the submissions for Council's consideration.

Alternative 2 Pass an additional motion requiring a public hearing to be held before Council gives final approval to an agreement that includes transferring the land at 22 St. Thomas Street to Homeland Housing at less than market value, regardless of whether a public hearing is not legally required based on Homeland Housing having the status of a non-profit organization.

Alternative 3 - Do nothing.

Without a motion, the land transfer to Homeland Housing will not occur, and the proposed development will not proceed.

Report Date: December 6, 2021

Author: Lory Scott

Department: Planning

Deputy Chief Administrative Officer: Kerry Hilts

Chief Administrative Officer: Kevin Scoble