

Deputy City Manager's Office Report to
SPC on Utilities and Corporate Services
2020 July 22

ISC: UNRESTRICTED
UCS2020-0833

Selling Prices for Road Rights of Way in Greenfield Areas (File No. 2020 Sector Rates)

EXECUTIVE SUMMARY

The purpose of this report is to provide information concerning current land prices typical of those in greenfield areas. The land prices identified in this report will be used to negotiate the sale of road rights of way and where possible, the acquisition of land required for municipal purposes in greenfield areas.

ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee on Utilities and Corporate Services recommends that Council receive the Report and Attachments for the Corporate Record.

PREVIOUS COUNCIL DIRECTION / POLICY

None.

BACKGROUND

Historically, Administration made presentations to the Land and Asset Strategy Committee and SPC on Utilities and Corporate Services on development land sales activity within the city. The purpose of these reports was to identify the current market value for raw unserved future development lands within sections of the city. The identified values, or sector rates, would be used when negotiating transactions with various developers in greenfield areas. Typically, these negotiations involve city road rights of way that exist legally but remain undeveloped. When a developer submits an outline plan for the area, these road rights of way are identified as areas to be purchased and incorporated into the proposed development. The sector rates are also utilized, where possible, when acquiring land for municipal purposes within greenfield areas through the development process.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

It is important to note that these sector rates are target prices only. The City cannot require that a land owner negotiate at these values. If a land owner wishes to not negotiate using sector rates, Administration would then negotiate on a site specific basis and analyze comparables that are similar to the subject property.

Sector rates are not used in established communities and brownfield areas; transactions will be negotiated on a site specific basis taking into account the specifics of the subject property.

In establishing the sector rates, Real Estate & Development Services analyzed numerous sales of future development land located within the current city limits. From a development point of view, these range from lands which are near term developable to lands that are up to ten or more years away from development. Real Estate & Development Services compared sale prices from 2016 to 2019 for the various sectors in establishing the sector rates.

In 2019, sector rates were not established due to a very limited number of new sales transactions as well as limited resources being available to complete the analysis.

The ranges found within the various sectors are as follows and are expressed on a per acre basis:

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North	\$53,807 - \$564,579
Northeast	\$161,088 - \$568,556
East	\$12,500 - \$278,607
Southeast	\$62,907 - \$250,000
South	\$53,420 - \$264,496
West	\$231,750 - \$949,367

Typically, sites located in the west sector are much smaller holdings of land, usually around five (5) acres, and are closer to development which is why they sell at a much higher per acre rate. During the past few years there has been little or no sales activity in the Northwest sector. Therefore, the Northwest area was analyzed in conjunction with the north sector.

The range in most instances is quite large and this is directly attributable to the location of the parcel, development timing, and the parcel size.

Based on the analysis, with more weight given to the more recent sales and to those sales representing near to medium term development timelines, the current per acre sector rates are recommended to be as follows.

North	\$175,000
Northeast	\$250,000
East	\$150,000
Southeast	\$175,000
South	\$200,000
West	\$550,000

Establishing sector rates enables Administration to negotiate with developers in a fair and transparent manner while transacting quickly and efficiently.

Valuation

The sector rates were based on an internal valuation which has been endorsed by Administration's Valuation Review Committee. The comparable sales analysed are included in Attachment 2.

Stakeholder Engagement, Research and Communication

The majority of developers in Calgary are members of BILD Calgary, with whom Administration has negotiated the terms of the Master Development Agreement (MDA). The proposed sector rates have been provided to BILD Calgary for their review and feedback.

Strategic Alignment

The establishment of sector rates aligns to the Citizen Priorities and Council Directives described in the One Calgary 2019-2022 Service Plans and Budgets. Specifically, the establishment of sector rates supports A Well-Run City – As per Part 17.02 (2) of the MDA, the annual sector rates will form the basis for negotiations when The City acquires unserviced lands. Sector rates can also be used for the sale of unserviced lands in various greenfield sectors of the city.

By establishing and disclosing the sector rates, The City is fair and transparent when acquiring and selling land. Without establishing sector rates, it would be necessary for repetitive research

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to be conducted, by The City and the developer, for each transaction and thereby increasing time spent by both parties to determine values. Therefore, sector rates support and improve the process and procedures when negotiating land in greenfield areas of the city.

Social, Environmental, Economic (External)

Social

With establishing and disclosing the sector rates, this process demonstrates greater transparency with the private development sector which can improve Administration's relationship with the industry and Calgarians as a whole.

Environmental

No concerns were identified.

Economic

Sector rates provide benchmark values for Administration and Calgary's development industry when transacting on greenfield properties. With having an established sector rate, it allows for these transactions to be completed with greater efficiency. This provides an economic benefit to both parties as less time is required when negotiating and closing the transaction.

Financial Capacity

Current and Future Operating Budget:

Not applicable.

Current and Future Capital Budget:

Not applicable.

Risk Assessment

None identified with this report.

REASON(S) FOR RECOMMENDATION(S):

Report for information.

ATTACHMENT(S)

1. Attachment 1 – Location Map of Sales
2. Attachment 2 – Land Sales Chart
3. Attachment 3 – Historic Sector Rates Graph