

2013-22 INDUSTRIAL LAND STRATEGY – PROGRESS REPORT

EXECUTIVE SUMMARY

This report provides an update on Administration's activities over the past year to implement the actions identified in the *2013-22 Industrial Land Strategy: For the development of City-owned lands*. It includes an update on industrial development and sales activities in 2013; a summary of how the Office of Land Servicing and Housing (OLSH) is aligning its program and projects to undertake the actions identified in the Strategy; and, a summary of how OLSH is engaging industrial stakeholders and other key partners as the Strategy is being rolled out.

ADMINISTRATION RECOMMENDATIONS:

That the Land and Asset Strategy Committee recommend that Council:

1. Receive this report for information.
2. Direct Administration to continue to provide annual updates on the industrial land development program commencing with a report to Land and Asset Strategy Committee in 2015 April.

RECOMMENDATION OF THE LAND AND ASSET STRATEGY COMMITTEE, DATED 2014 APRIL 24:

That the Administration Recommendations contained in Report LAS2014-13 be approved.

PREVIOUS COUNCIL DIRECTION

On 2013 March 18, Council approved the *2013-22 Industrial Land Strategy: For the development of City-owned lands* (LAS2013-06) and directed Administration to report back to Council through the Land and Asset Strategy Committee with a progress report on the implementation of the actions identified in the strategy and stakeholder engagement with industry, no later than 2014 April.

BACKGROUND

The *2013-22 Industrial Land Strategy: For the development of City-owned lands* (the "Strategy") was approved by Council in 2013 March 18. The purpose of the Strategy is to provide a framework for how The City will develop its own industrial lands over the next 10 years.

The Strategy provides a vision for The City to "lead in the creation of sustainable industrial parks that support economic development in Calgary and maximize long-term benefits for all Calgarians".

The Strategy supports this vision through its five organizing principles.

1. Support local economic development;
2. Achieve corporate objectives;
3. Operate within our financial capacities;
4. Foster a fair and transparent business environment; and,
5. Attract the right business.

The Strategy defines how the vision and principles are to be enacted through a number of actions corresponding to core OLSH business lines (Attachment 4). The program will:

2013-22 INDUSTRIAL LAND STRATEGY – PROGRESS REPORT

- Continue to provide serviced land that supports diversification of the local economy and support the land needs of smaller owner/user businesses in Calgary;
- Deliver broader corporate triple bottom line objectives and long-term benefits through industrial land development;
- Complement the private sector activities in Calgary;
- Apply a more business-based approach to delivering the industrial program; and,
- Continue to build relationships with key industrial stakeholders to bring greater market awareness and knowledge to OLSH and its land development projects.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

This progress report is organized in three sections:

- Industrial development update and sales activity summary for 2013;
- Summary of how the actions of the Industrial Land Strategy are being implemented; and,
- Summary of how industry stakeholders and key partners are being engaged.

Industrial Development Update and Sales Activity Summary for 2013

Administration currently does not prepare an annual report on its development and sales activities, though does report performance through other corporate reporting means. In light of creating greater transparency and awareness about the program and projects, Administration is providing this update for 2013 in conjunction with Council's direction to report back on Strategy implementation and stakeholder engagement activities.

Land development and sales activities in 2013

Maps and a Table of development and sales activities are included as Attachment 1.

In summary, OLSH completed construction and added 141 acres (57 ha) of serviced industrial land to its inventory. It will have 201 acres (81 ha) of serviced industrial land in its inventory in 2014, including current saleable lots and lots undergoing environmental investigation. This is approximately a two year supply. Going forward in 2014, development efforts will focus on completing servicing of Point Trotter industrial and North Dufferin intermodal park. OLSH will begin the planning and design phases of Forest Lawn Creek industrial park. Efforts will also be made by completing feasibility studies on future industrial projects including redevelopment of McCall Lake, Aurora business park and Shepard industrial park.

One of the major development challenges is in coordinating the amount and timing of off-site infrastructure needed to support completion of existing projects and gain approvals of new projects. OLSH spent significant effort in 2013 working with the different business units to understand issues and find solutions to servicing expectations and infrastructure funding challenges being experienced across The City. OLSH worked with Transportation department to identify road infrastructure needed for the Dufferin North and Point Trotter projects in SE Calgary and funding required to commence sales of these areas.

From a sales perspective, OLSH completed sales for 45 acres (18 ha) of serviced land. There were also an additional 20 acres (8 ha) that will postpone closings to 2014, due to delays and challenges for our purchasers with receiving their development approvals. One example is in Starfield industrial park where access rules for lots fronting 61 Ave SE have been modified since the lots were originally created (but not sold due to the storm servicing moratorium in SE

2013-22 INDUSTRIAL LAND STRATEGY – PROGRESS REPORT

Calgary). OLSH is taking a pro-active approach to supporting its customers by working with the approving authority to find solutions that will work for these applications and help us to clarify these requirements for future purchasers.

Royal Vista Business Park - Development Restrictions

The West Memorial Sanitary Trunk moratorium has directly impacted the ability of purchasers to build on parcels The City has sold in Royal Vista. This has impacted parcels by limiting timing of building occupancy to 2016, when downstream improvements will be made to the trunk. OLSH has been very active to work on behalf of its customers to resolve this issue by providing engineering expertise to understand the issue more fully and to work with Water Resources to find an interim solution that meets timing needs of these businesses. Exploration of temporary service options and construction of on-site storage tanks and pump out services are being pursued. This solution will require OLSH to incur additional expenditures per lot to provide 2-3 years of temporary sanitary service. It will also require us to review the standard 2 year building commitment with current and future purchasers who will delay occupancy until the moratorium is lifted.

Temporary Housing Project for Displaced Southern Alberta Residents

The June 2013 flood did not have any impact on OLSH industrial land holdings, but we were able to use our land to respond to an emergency request from the Alberta Emergency Management Agency to provide a site for temporary housing of displaced residents of southern Alberta. OLSH identified serviceable industrial land in its future Forest Lawn Creek industrial park that would be available to locate up to 700 temporary housing units and amenities for displaced High River residents. Collaboration between City business units was used to re-align contractors and materials from other OLSH projects and deliver a fully prepared and graded 40 acre site with utility service connections within five weeks. We received recognition for our application of the Corporate Project Management Framework on this project from the Project Management Institute Southern Alberta Chapter through a “Project of the Year” award in their 2013 Community Advancement category.

Implementing the Actions of the Industrial Land Strategy

Since the approval of the Strategy in 2013 March, Administration has been working to ensure the vision and principles of the Strategy are becoming part of the new business culture within OLSH. The actions were developed to be implemented through a variety of means and timeframes over the next 10 years. Some actions will become part of OLSH’s alignment of on-going management and monitoring processes in the industrial development program while other actions will be implemented on a project by project basis as part of new project delivery models. Highlights of how the Strategy is being implemented by OLSH can be broken into three main streams:

- Creating greater awareness about the Strategy
- Managing the industrial land development program
- Delivering industrial land to the market

A summary of how the Strategy is being implemented and specific actions or achievements are included in Attachment 2.

2013-22 INDUSTRIAL LAND STRATEGY – PROGRESS REPORT

In summary, OLSH has made good progress in the past year to deliver on the vision, principles and actions of the *2013-22 Industrial Land Strategy: For the development of City-owned lands*.

- OLSH significantly invested in education and awareness of stakeholders;
- OLSH has focussed internal effort to align its core business practices and management processes to support implementation of the Strategy;
- All areas of the industrial program are being reviewed and aligned to better deliver serviced industrial land that supports economic development, delivers sustainability initiatives, provide greater transparency for prospective purchasers, and create a better customer experience; and,
- 5% of gross industrial land sales in 2013 generated \$1.3 million in support of the affordable housing program.

Going forward, OLSH will continue to use the Strategy as guiding direction to the program's core business functions in collaboration with key stakeholders. It will continue to identify areas where it can work to better deliver serviced industrial land to the market and improve on performance and customer service measures.

Stakeholder Engagement, Research and Communication

Improving relationships with industry stakeholders, economic development partners and future customers were identified as key actions within the Strategy. OLSH engaged and identified three key stakeholder groups over the past year:

- Industrial development and real estate industry;
- Economic development partners; and,
- Internal stakeholders at The City.

The focus of this initial engagement was on building awareness for the Strategy with these key stakeholders. This engagement allowed for positive information sharing and dialogue around the program and the industrial land needs in Calgary. It also helped OLSH identify areas where it can work to improve its product being delivered to the market and the services it provides. Continuing this relationship with current stakeholders and building new relationships with a broader group of stakeholders who play key roles in Calgary's industrial development will be an on-going priority for OLSH in implementing the Strategy.

A summary of engagement details over the past year and key learnings are provided in Attachment 3. The report findings and recommendations have been reviewed with the Commercial Real Estate Development Association/National Association of Industrial Parks - Calgary (NAIOP).

Strategic Alignment

One of the key purposes of the Strategy is to ensure that the industrial land development program will be better aligned with public plans and policies such as the Municipal Development Plan, Calgary Economic Development Strategy, and Long-Range Financial Plan. The Strategy supports Council's Fiscal Plan 2012-2014 by ensuring a supply of serviced industrial land at competitive prices.

There have been positive changes made within operations to ensure major policy directions and

2013-22 INDUSTRIAL LAND STRATEGY – PROGRESS REPORT

outcomes are being integrated within the planning and delivery of City-led industrial projects. There is also on-going work to fully identify and understand impacts from those changes on product development, market uptake, return on investment of individual development projects, as well as the financial sustainability of the Industrial program as a whole. OLSH will continue to refine this work through 2014 and beyond.

Social, Environmental, Economic (External)

Social

The City's involvement in developing industrial land supports the delivery of community social objectives by creating safe, healthy and accessible industrial parks that are attractive to a cross-section of businesses that in turn provide a range of employment opportunities. There is opportunity to support greater employment densities in strategic locations (business parks) close to existing housing, providing greater travel choices and reducing commute times. The contribution of five per cent (5%) of gross industrial sale proceeds for affordable housing supports housing needs for Calgarians, many of whom are employed in industrial parks.

Environmental

The Strategy supports The City's objective to reduce the impacts of land development activities on the natural environment. Focusing the industrial program to smaller, employee intensive users will make more efficient use of The City's finite land inventory and help to optimize infrastructure investments. The pursuit of sustainable design and best practices on the public realm (roads, parks, storm water management) and the private lots can help to reduce negative impacts on Calgary's water, air and energy resources. The program promotes delivery of environmental objectives by seeking opportunities to physically deliver environmental wins within each industrial project. It also supports early collaboration with key business units to pilot emerging technologies and innovative design solutions that promote design and operational solutions that benefit the natural environment and restore ecosystem health. This was demonstrated in the 2013 design charrette process for the 950 acre (384 ha) Forest Lawn Creek industrial park that included Transportation Planning, Parks and Water Resources.

Economic

The City's industrial program supports the location needs of industrial business and keeps Calgary as a destination of choice by installing infrastructure and making service lots available to private businesses. This investment in turn supports diversification of the local economy and returns property and business taxes between \$25,000 and \$50,000 per acre to help provide a source of sustainable municipal financing. Working with economic development partners and complementing private industrial developers will help ensure The City is positioned to continue supporting economic diversification and employment growth.

Financial Capacity

The industrial land development program is self-funded through the Real Estate Reserve. Proceeds received from land sales are used to support new projects. Program operating costs are recovered through a combination of three self-funded sources: capitalized expenditures, real estate sales commissions and the cost of sale.

Current and Future Operating Budget:

2013-22 INDUSTRIAL LAND STRATEGY – PROGRESS REPORT

The Recommendation to provide an annual report commencing 2015 April is aligned with planned business objectives and approved operating budgets in OLSH.

Current and Future Capital Budget:

Current capital budgets are outlined in BPBC 3: 2012-14. Future capital requirements will be brought forward to Council as part of Action Plan 2015-18.

Risk Assessment

The Strategy direction moves The City's program from a competing to a more complementary land development role in Calgary and the region. However, The City's participation in industrial land development will continue to be challenged by some members of industry going forward. OLSH is aware of this and will continue to manage this risk by increasing awareness of the program and rationale for The City's participation; on-going engagement and collaboration with key stakeholders; and increased transparency of its operations and improved reporting on the triple bottom line benefits the program delivers to citizens, Calgary businesses and the Corporation.

Risks identified while implementing the Strategy over the next 10 years and in delivering specific industrial projects to the market will be reported and addressed through those specific processes.

REASON FOR RECOMMENDATIONS:

Administration recommends that Council receive this report for information. It provides an update on the progress made in the first year of implementing the 10-year strategy. The report provides an overview of efforts to implement the actions of the Strategy and integrate them within core OLSH business processes. The report also provides a summary of how industry stakeholders, economic development partners and internal stakeholder groups within The City were engaged.

Direction to report back to Council through Land and Asset Strategy Committee on an annual basis supports the Strategy's principle of improving awareness, transparency and accountability of the industrial land development program. It also provides a commitment to report on specific performance and deliverables of the program, and an opportunity to identify for Council's benefit emerging issues and opportunities relevant to industrial land development.

ATTACHMENTS

1. Tables and Maps - Industrial Development and Sales Activity
2. Implementing the Actions of the Industrial Land Strategy - Summary
3. Engagement Summary
4. The 2013-22 Industrial Land Strategy- Actions Table