



Housing Land Fund Funding Mechanism

Introduction

The purpose of this Funding Mechanism is to provide guidance to Administration on the appropriate and responsible use of the Housing Land Fund (the Fund), establish Corporate authority for decision-making and oversight of the Fund and identify City of Calgary (The City) processes and policies that support the administration of the Fund.

Background

The Fund is informed by several Council decisions from 2023 that supported expanding The City's role in the acquisition and preparation of land and/or assets for the purpose of increasing the number of non- and mixed-market housing development projects in Calgary. These decisions included:

1. 2023 March 16: Leveraging City Land for Affordable Housing (CD2023-0205)
 - Administration identified a shortage of suitable surplus City land for residential development as a critical barrier to increasing Calgary's supply of affordable housing.
 - Council approved the Land for Affordable Housing Action Plan, that included the recommendation to create a land fund to acquire new properties and support the development of additional affordable housing through the 2024 capital budget adjustments.
2. 2023 June 6: Housing and Affordability Task Force Recommendations (C2023-0415)
 - Council received the Housing and Affordability Task Force Recommendations and directed Administration to bring forward actions that require additional budget through Committee to Council.
 - The Task Force recommended a yearly allocation of \$100M per year for a housing land fund.
3. 2023 September 14: Home is Here - The City of Calgary's Housing Strategy 2024-2030 (CD2023-0749) (Housing Strategy)
 - Council approved the Housing Strategy and directed Administration to prepare recommendations that have budget implications to be included in the 2023 November Adjustments to Service Plans and Budgets.
 - The Housing Strategy recommended a budget allocation of \$20M per year for the Fund.
4. 2023 November 7: 2023 November Adjustments to the 2023-2026 Service Plans and Budgets (C2023-1148)
 - Council approved an allocation of \$20M per year for the Fund.
 - The reported purpose of the Fund was to acquire land, real estate, or provide existing City land for the creation of non-market and mixed-market housing and develop a strategy to progressively realize the Fund's targeted \$100M per year allocation as recommended by the Housing and Affordability Task Force on 2023 June 6.

Intent of the Housing Land Fund

The intent of the Fund is to provide new land opportunities to support the development of new non-market¹ and mixed-market housing in Calgary through existing programs and policies that The City administers.

The expectations for the Fund are to:

- Free-up existing surplus City-owned sites for housing development opportunities by removing barriers to development.
- Provide the necessary resources to enable The City to act quickly on acquisition opportunities as well as strategically pursue land for non- and mixed-market housing development.

In delivering on these expectations, the Fund will enable The City to be both strategic and opportunistic. All Calgary communities need housing that is affordable. The Fund will ensure that lands will be acquired in areas that represent a high value (through social and economic indicators) and strategic opportunity, while also ensuring that when additional City-owned sites become surplus, development barriers will be reduced to support new non- and mixed-market housing projects.

To provide additional land opportunities, The City must be proactive and consider not only land within its existing portfolio but also the purchase of land at market or below-market rates with supportive sellers. Non- and mixed-market housing is needed across Calgary, and as such all communities and land opportunities will be considered in the use of the Fund.

Use and Scope of the Housing Land Fund

To achieve the expectations and intent of the Fund, the following are considered eligible costs and expenses:

Acquiring New Assets

- Strategic acquisition of an asset (i.e., land or land with existing structure(s)):
 - Calgary communities that are proportionately under-served by affordable or non-market housing or where non-market housing need is greatest will be a priority.
 - Properties identified for affordable or non-market housing as part of a Local Area Planning Process or an Area Structure Plan.
 - Parcels adjacent to existing City-owned land that otherwise would not be viable for residential development on its own due to existing constraints (e.g., improper size, access, orientation).
 - Parcels that are well served by existing or future rapid transit.
- Opportunity acquisition of an asset where the opportunity serves the intent of the Fund and where the value proposition to The City can be rationalized:
 - These opportunities may be circulated to The City by other government agencies (e.g., school boards), non-profit landowners, or private landowners.

Improving Land and/or Existing Structures to Reduce Risks and Costs for Future Development

- Improvements to existing City-owned assets:
 - Prepare existing City-owned parcels for development that are considered viable for non- or mixed-market housing. Improvements may include, but are not limited to:

¹ Non-Market Housing is rented or owned housing where the cost for the housing is below the Average Market Rents or average ownership costs for that area.

- Environmental remediation.
- Land use amendments and subdivisions.
- Utility upgrades.
- Demolition of existing structures.
- Improvements to acquired assets:
 - Prepare acquired assets to support non- or mixed-market housing development. Improvements are similar to those listed above for existing City-owned parcels and may also include necessary improvements to a structure to support conversion to non- or mixed-market housing.

Administrative and Support Costs

- Payment to The City's Revolving Fund for General Land Purchases to enable the disposition of existing City-owned land at nominal or below book value, and/or if the Revolving Fund for General Land Purchases is used to acquire an asset for the sole intent outlined in this Funding Mechanism.
- City resourcing, including the hiring of critical staff to administer the Fund, to manage the improvements to and stewardship of the acquired assets.
- Hiring external resources to provide data and support regarding real estate market conditions, identification of strategic acquisition opportunities and other needs that support the intent of the Fund as they arise.
- Operational and maintenance costs associated with stewardship of assets acquired by use of the Fund until the time that the asset is disposed of, leased, or transferred at market, below-market, or nominal value in accordance with The City's existing programs and policies.

Effective Management and Administration of the Fund

Stewardship and Disposition of Assets

The Fund is a funding source, it is not a new disposition program. As such, any assets acquired and/or improvements made to assets by use of the Fund will be managed, administered, and maintained in accordance with The City's stewardship practices and policies and will be disposed of, leased, or transferred at market, below market, or nominal value in accordance with The City's existing programs and policies.

The City's existing acquisition and disposition policies, including the Real Property Bylaw and the Non-Market Land Disposition Policy, will be used for any new acquisitions as well as the disposition of assets acquired and/or improvements made to assets by use of the Fund. The delegated authorities that have been established in existing acquisition and disposition policies will prevail for all transactions involving the Fund.

Assets acquired and/or improvements made to assets by use of the Fund must serve the purpose of increasing the supply of non- and mixed-market housing in Calgary. The methods to achieve this purpose may include, but not be limited to, the following:

- Disposition via The City's Non-Market Housing Land Disposition Policy.
- Direct sale to a City of Calgary wholly owned subsidiary for the purpose of providing non- or mixed-market housing.
- Acquisition and retention in City ownership for the purpose of providing non-market housing in cooperation with Calgary Housing Company.
- Acquisition and retention in City ownership for the purpose of leasing to non-profit organizations, the private sector or Indigenous organizations for non- or mixed-market housing.
- Direct sale to an Indigenous organization for the development of non-market housing.

Approvals and Reporting

The City's Director of Partnerships will be responsible for approval of revisions and amendments to this Funding Mechanism. The Manager of Housing Solutions will be responsible for approval of a Fund spending plan, ensuring all appropriate subject matter experts and business units are engaged, as well as approval of recommendations for acquisition opportunities permitted by this Funding Mechanism. The City's Real Property Bylaw, and any other relevant policies and procedures, will prevail as it relates to the delegated authority to approve the acquisition and disposition of property.

The City's established spending and budgetary policies will be followed and the appropriate delegated authority for the Fund budget will be responsible for approval of expenditure of funds.

Yearly reporting to Council on the Fund objectives and performance will occur as part of annual reporting required under the Housing Strategy.

Administration of Fund

Housing Solutions is the owner and administrator of the Fund and will be responsible for the following:

- Developing a yearly spending plan for the Fund, including prioritization of use of the Fund budget.
- Developing a procedural document that will guide the operation and execution of the Fund and the evaluation of acquisition opportunities under it. This document will establish the methodology to assess the value of a potential acquisition to The City and will focus on The City's triple bottom-line approach.
- Evaluating and recommending acquisition opportunities to approval authorities.
- Coordinating and managing cross-Corporate teams, including Law, Real Estate & Development Services, Finance business units and the Planning & Development Services department to support the acquisition or disposition of assets and to improve and prepare land for development of non-market housing.
- Developing a procedure for tracking decisions and expenditures of the Fund, that will support necessary reporting.
- Hiring and managing external resources.
- Administering necessary housing and options agreements to support the disposition, lease or nominal transfer of assets acquired via the Fund.
- Working collaboratively with Real Estate & Development Services to steward assets acquired by the Fund, both legally and operationally, until the asset is disposed of, leased, or transferred at nominal or below book value. Any disposition of an asset will be supported by Real Estate & Development Services and other business units, as required.

Financial Accountability

The Fund is a budget line under The City's Affordable Housing Service Line. Council approved an initial \$20 million base operating budget for the Fund with the intention for Administration to demonstrate an ability and need to scale the fund up through future budget processes.

Housing Solutions will be seeking approval from Council to amend the Terms of Reference to the Corporate Housing Reserve, through the Triennial Reserve Review in 2024, to allow for unspent Housing Land Funds to be transferred to the reserve and used only for explicit purposes outlined in the Funding Mechanism. Changes to Terms of Reference of the Corporate Housing Reserve will be reported to Executive Committee in December 2024 for Council approval in January 2025.

Net proceeds, derived from the sale of assets acquired via the Fund, will be returned to the Fund as a surplus in addition to the yearly budget allocation and will be used only for the explicit purposes outlined in this Funding Mechanism.

Financial reporting to Council will also occur through established budget and reserve reporting requirements by Finance.

Continuous Improvement and Review of Funding Mechanism

This Funding Mechanism will be reviewed at minimum every two years with the intent of updating the document based on key findings, trends and new policy direction as they arise. Proposed amendments will be presented to the appropriate authority for approval as described in this document.

Should any major change to the Fund budget or City direction on supporting the housing and non-market housing sectors occur, a review of this Funding Mechanism is recommended.