

Deputy City Manager's Office Report to
Public Hearing Meeting of Council
2018 May 07

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C2018-0585
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Proposed Method of Disposition Ward 09 (23 McDougall CO NE)

EXECUTIVE SUMMARY

In response to the referral of Notice of Motion C2018-0509, Administration has undertaken due diligence on the subject Property with respect to site developability, the Calgary Catholic Immigration Society (CCIS), the preferred method and type of disposition, and potential disposition clauses.

Administration has determined that the subject Property is considered to be remnant, and generally not developable on its own to its highest and best use.

For this report, Administration has identified two options for the Method of Disposition.

The first option is to authorization to negotiate a sale of the subject Property by direct negotiation at market value and administered by Real Estate & Development Services. The second option is to authorization to negotiate a sale of the subject Property by direct negotiation at book value and administered by Real Estate & Development Services.

Administration is presenting these two Method of Disposition options for Council's consideration.

Additionally, potential disposition clauses are identified in Attachment 6.

ADMINISTRATION RECOMMENDATION:

1. Authorize the Recommendation as outlined in Attachment 2;
2. Request the Recommendations, Report and Attachments 1, 2, and 3 remain confidential under Sections 23, 24 and 25 of the *Freedom of Information and Protection of Privacy Act* until Council rises and reports on this matter.
3. Request that Attachments 4, 5, 6, 7 and discussions remain confidential pursuant to Sections 23, 24 and 25 of the *Freedom of Information and Protection of Privacy Act*.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 April 23 Regular Council Meeting, Council referred Notice of Motion C2018-0509 to Administration. Among other matters, Administration was to undertake due diligence on the subject Property with respect to site developability, the CCIS, the preferred method and type of disposition, and potential disposition clauses, and to report back to Council on 2018 May 7.

BACKGROUND

CCIS is the adjacent owner to the Property and is the proposed purchaser. In 2016 October, CCIS submitted a request to purchase the subject Property to extend and expand their services. This request was originally declined as Transportation Planning identified the subject Property as potentially required for a pedestrian and bicycle pathway. In 2017 April, the decision to dispose of the Property was reversed as Transportation Planning decided that the Property was not needed to support their plan.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

The CCIS owns the adjacent $\pm 27,748$ sq. ft. ($\pm 2,577$ sq. m.) property. CCIS is a non-profit organization which provides settlement and integration services to immigrants and refugees in Southern Alberta. CCIS has reported to have had challenges with vagrant activities happening on the subject Property.

The City of Calgary ("the City") owns the subject Property that is immediately adjacent to the CCIS property, to the west, south west and south, as can be seen on the Site Map (Attachment 1). The subject Property is $\pm 10,888$ sq. ft. ($\pm 1,011.615$ sq. m.) and is currently undeveloped road right of way that exists as open space. As outlined in Attachment 1, pedestrians also use a portion of the subject Property directly adjacent to the north side of the sound attenuation wall as an informal, undeveloped pathway. Under a proposed sale, a four (4) metre wide access and maintenance easement to maintain the sound attenuation wall is required. In addition, a utility right of way to protect City of Calgary fibre lines would also need to be registered near the sound attenuation wall.

The CCIS has inquired with The City expressing an interest in purchasing the subject Property for two purposes. Firstly, the CCIS would like to fence off and secure the area between the sound attenuation wall and their property to limit the undesirable activities that are reported to take place on the Subject property. Secondly, the CCIS has also submitted to Administration draft plans to develop the subject Property with a playground on the south east side and a new proposed building on a portion of the west side of the subject Property as shown on Attachment 8.

Developability

An analysis has been undertaken by Administration to assess the developability of the subject Property per the amended Notice of Motion. The subject property comprises two distinct potential development areas, one to the west of the CCIS property and one to the south east, as can be seen on the first page of Attachment 7.

Administration has determined that the west portion of the subject Property is considered to be a remnant property and cannot be feasibly developed on its own without consolidation with the adjoining property. This determination is primarily based on the access limitations from the laneway, extraordinary costs to service the property for stand alone development and perceived challenges obtaining planning approval for stand alone development.

Administration has determined that the south east portion of the subject Property is potentially developable on its own as a low density residential development such as a single detached house. While such development may be feasibly possible, this type of low density development may not be viable given planning policy and the desire to see higher density development. Despite the foregoing, Administration has determined that in order for the south east portion of the subject Property, or any portion thereof, to be developed into its highest and best use, as aligned with local area planning policy, consolidation with the adjacent property is recommended. The additional area and the financial impact of additional development area are outlined in Attachment 7.

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An analysis has also been undertaken in regard to the development potential that is created through the proposed sale and consolidation of the subject property with the CCIS property. Based upon current land use and potential future land use amendments to allow for higher density development, Administration estimates that a purchase and consolidation may enable an additional ±8014.00 sq. ft. of developable land on the consolidated parcel.

Method of Disposition Options

Option 1

Authorization to negotiate a sale of the subject Property by direct negotiation at market value and administered by Real Estate & Development Services (RE&DS).

This option would enable RE&DS to continue with the practice of selling City property, including remnant property at market value. Through this practice, Administration seeks to optimize the financial return to The City through the sale of its real estate assets. If this option is adopted, the sale proceeds from this transaction would be recorded in the Revolving Fund Reserve, which in turn is used to fund acquisitions of property in support of other municipal infrastructure projects.

Option 2

Authorization to negotiate a sale of the subject Property by direct negotiation at book value and administered by Real Estate & Development Services.

This option would enable RE&DS to negotiate a sale of the subject Property to the CCIS for a nominal Consideration. It is recommended that the Purchaser be responsible for transaction costs including surveying, road closure of the right of way, land use application, land titles costs and administration costs. The total of these costs are estimated in the range of \$35,000 - \$40,000.

Administration is presenting these two Method of Disposition options for Council's consideration. As per the referral of Notice of Motion C2018-0509, Administration will be working to develop a framework regarding the disposition of land at less than market value to not for profit groups. This framework should result in consistency in recommendations that are brought forward in the future.

Valuation

There are two identified reserve prices for the Property. Under Option 1, The reserve price of the Property was based on an internal valuation which has been endorsed by Administration's Valuation Review Committee. The comparable sales analyzed are included in Attachment 4. Under Option 2, the reserve price is based on The City's book value of the property.

Stakeholder Engagement, Research and Communication

Not applicable.

Strategic Alignment

Sustainability Direction objectives, specifically the Infrastructure Management objective and the target for The City to efficiently and effectively dispose of surplus City owned lands to provide optimum value for Calgarians.

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Option 2 would provide CCIS the ability to scale up the redevelopment of the Subject Property with their adjacent property.

Social, Environmental, Economic (External)

Social

CCIS helps immigrants and refugees to successfully resettle and integrate. A society where immigrants and refugees can reach their potential is beneficial for all. The proposed sale may enable the CCIS to secure the area in the interim, and to enable future expansion of its facility.

Environmental

No environmental assessments were conducted as per Section 4.1.3 of the S.A.L.E Policy. This section identifies that environmental assessment will not be conducted on remnant property.

Economic

The proposed sale of the subject Property is an opportunity for the development of vacant land close to amenities, and thus will provide opportunities for job creation, growth and opportunities for new immigrants.

Financial Capacity

Current and Future Operating Budget:

Not applicable.

Current and Future Capital Budget:

The proposed sale will be recorded in Real Estate & Development Services Operating Program 488 and net proceeds from the sale will be transferred to the Revolving Fund reserve and reallocated to other funds as required.

Risk Assessment

If Option 1 is approved, the risk of selling the Property is considered to be low. The Property has been declared surplus to municipal requirements. An access easement for maintenance of the sound wall and a utility right of way to protect the fibre infrastructure that runs adjacent to the sound wall will be prepared and registered prior to sale. Lastly, the Property has been determined to be remnant and that any development to its highest and best use requires consolidation with the adjacent property.

The risks of selling the property through Option 2 are considered to be medium. If the subject Property is sold at book value, there is a risk of other community, church and not for profit groups requesting book value sales for City owned land, or essentially that this proposed sale at book value may create a precedent. The risks associated with the potential precedent may be able to be mitigated through creation of a framework or strategy for the sale of surplus land to not for profit groups. Such a framework or strategy could enable transparency and consistency of similar transaction in the future. Through the referral of Notice of Motion C2018-0509, Administration has been directed to develop such a framework and to provide a report on same

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to Council through the Standing Policy Committee on Utilities and Corporate Services no later than Q3 2018.

Another risk of selling the property through Option 2 is that The City will not optimize the financial return through the sale of this property. As a result, a financial contribution to the revolving fund will not be realized. No mitigation measures have been identified. This risk is considered to be medium.

Under both Option 1 and Option 2, there is also the risk of resistance from the Bridgeland community given the perception of the Property as open space. The risks associated with the perception that the sale results in a loss of community open space may be mitigated by encouraging CCIS to conduct community engagement prior to the closing of the proposed sale. After mitigation, the likelihood and impact of this risk is considered to be low.

REASON(S) FOR RECOMMENDATION(S):

Administration has provided two options for a Method of Disposition for Council's consideration. Also, in response to the referral of Notice of Motion C2018-0509, Administration will be working on a framework that will be brought forward to Council no later than Q3 2018.

ATTACHMENT(S)

1. Attachment 1 – Site Map
2. Attachment 2 – Recommendations
3. Attachment 3 – Summary of Additional Property Information
4. Attachment 4 – Comparable Data Chart Land Sales
5. Attachment 5 – Proposed Sale Plan
6. Attachment 6 – Potential Disposition Clauses
7. Attachment 7 – Development Potential
8. Attachment 8 – CCIS Development Plans
9. Attachment 9 – Alberta Corporation/Non-Profit Search

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