

**Deputy City Manager's Office Report to
SPC on Utilities and Corporate Services
2018 July 20**

**ISC: UNRESTRICTED
UCS2018-0912
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Proposed Framework – Transacting with Non-Profit Organizations below Market Value

EXECUTIVE SUMMARY

The purpose of this report is to respond to Section 2 of Notice of Motion C2018-0509, where Council directed Administration to develop a framework for the disposition of land at less than market value to non-profit organizations (the “Framework”).

Through this Framework, Administration is recommending that unless otherwise directed by Council through a Notice of Motion, Administration will continue to transact on real property with non-profit organizations in alignment with Real Property Bylaw 52M2009 (the “Bylaw”).

It is proposed that, in circumstances where direction from Council is received to explore opportunities to dispose of real property to non-profit organizations, Administration will present a Non-Profit Method of Disposition Report to Council for consideration. Based on the information and options provided within the Non-Profit Method of Disposition, Administration will look to Council to provide direction on the preferred option.

ADMINISTRATION RECOMMENDATION:

The SPC on Utilities and Corporate Services recommend that Council approve the proposed Framework as detailed within this Report and in Attachment 2.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 April 23, Council adopted Notice of Motion C2018-0509 among other matters, directed Administration to provide a framework for disposing of land at less than market value to not-for-profit organizations, and to report back to Council through the Standing Policy Committee on Utilities and Corporate Services, no later than Q3 2018.

BACKGROUND

Real Estate & Development Services (“RE&DS”) is a City business unit whose lines of service include the acquisition, disposition, occupation, and development of City owned real property. Administered and managed through the Bylaw, RE&DS is authorized to transact real property on behalf of The City.

Often, RE&DS is contacted by interested parties seeking to acquire City owned land for various purposes, and on occasion, these interested parties include non-profit organizations. Currently, the Bylaw does not address the delegation of authority to dispose of real property with one party differently than another. Thus, if not already directed through policy or approved strategy, such as the Affordable Housing Strategy, Administration will seek Council’s direction and approval on transactions which do not follow standard process as outlined throughout the Bylaw.

As directed by Notice of Motion C2018-0509, RE&DS has developed this Framework in an effort to provide consistency when transacting with non-profit organizations. The current process for the disposition of City owned real property is summarized in Attachment 1.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

RE&DS, being the authorized business unit to transact on real property on behalf of The City, is committed to being responsible with The City's real property assets, and thus, is guided by the following key principles of good land management;

- The City is a good steward of real property and manages its holdings as corporate assets;
- RE&DS provides professional real estate services and advice to its corporate partners and to Council;
- City owned real property will be leveraged to provide the maximum value for The City and for Calgarians;
 - This is typically achieved through public marketing and the sale of real property at market value
- RE&DS maintains its financially sustainable, non-mill rate supported programs through transactions of real property.

By virtue of these key principles, RE&DS is proposing the following 4 step framework when transacting with non-profit organizations. A visual summary of the proposed Framework is shown in Attachment 2.

Step 1: Notice of Motion

When a non-profit organization is interested in acquiring or occupying City owned real property for less than market value and/or through a direct negotiation with said organization, RE&DS recommends that Council direct Administration, through a Notice of Motion. Administration will work with members of Council and report back with a Non-Profit Method of Disposition Report which shall include the appropriate information and options for Council to make an informed decision.

Step 2: Non-Profit Method of Disposition Report

Upon direction through a Notice of Motion, Administration shall prepare a detailed land report, that will include the following information/analysis for Council's deliberation;

1. Background of Non-Profit Organization:
 - a) Who they are, and what they do
 - b) What is their proposed use of the real property
 - c) Perceived alignment to corporate and community values and outcomes
2. Site Assessment:
 - a) General information of the property
 - b) Corporate Land Management Framework circulation comments and results
 - c) Estimate of market value
 - d) Highest and best use analysis
3. Social, Environmental, Economic Impact Analysis
4. Alignment with corporate and strategic objectives
5. Options
 - a) Publically market the property and transact at market value (appropriate if the property is determined to be a standalone parcel)

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- b) Direct negotiate with non-profit organization at market value (appropriate if the property is determined to be a remnant parcel)
- c) Direct negotiate with non-profit organization at book value plus administration fees and all associated transaction costs
- d) Direct negotiate with non-profit organization at nominal value plus administration fees and all associated transaction costs
- e) Do not proceed with a transaction with the interested non-profit organization

6. City Contribution Analysis

- a) Value comparison:

	Market Value	Book Value	Nominal Value
Additional Associated Costs i.e. Administration fees, survey costs, Road Closure/Land Use application fees...etc.			
Municipal Contribution to Non-Profit Organization			
Total Consideration			
Total Contribution			

- b) Lease vs. sell analysis (where appropriate)
- c) Alternative opportunity analysis (is there a more appropriate location)

7. Summary of annual contribution under this Framework

	Market Value	Transacted Value	Municipal Contribution to Non-Profit Organization
e.g. UCS2018-XX1 (address)	\$1,000,000.00	\$10	\$999,990.00
e.g. UCS2018-XX2 (address)	\$500,000.00	\$100,000.00	\$400,000.00
Total Contribution for 2018			\$1,390,000.00

Step 3: Report Back & Decision

Administration to report back to Council through SPC on Utilities & Corporate Services with a Non-Profit Method of Disposition Report within the timeframe specified within the Notice of Motion.

Council shall elect an option outlined in the Non-Profit Method of Disposition Report, or, propose an alternate option not outlined in the report.

Step 4: Transaction

Upon Council direction, Administration shall proceed based on the option approved by Council through the Non-Profit Method of Disposition Report.

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If the direction by Council is for Administration to proceed with a transaction with a non-profit organization, Administration shall prioritize the transaction through the RE&DS standard prioritization matrix and assign an agent as soon as possible. The transaction may be approved through delegated authority in the Bylaw by the Deputy City Manager, unless otherwise directed by Council.

The proposed process is summarized in Attachment 2.

Valuation

Upon direction by Council through a Notice of Motion to prepare a Non-Profit Method of Disposition Report, Administration shall follow its current valuation process to determine the Market Value of the property; an internal review or an independent appraisal shall be prepared and endorsed by Administration's Valuation Review Committee.

Stakeholder Engagement, Research and Communication

N/A

Strategic Alignment

Administration is developing a Corporate Land Strategy, which will document how it delivers Real Estate and Land Development & Sales services within an overall corporate approach. It is intended that the Framework will form the basis of a section of this strategy.

Additionally, Administration is developing an Affordable Housing Disposition Strategy, which is intended to advance a framework that will leverage City owned land for the purposes of encouraging the development of affordable housing. The Framework herein is intended to focus on non-profit organizations where affordable housing is not a primary line of business.

As the details of the Corporate Land Strategy and Affordable Housing Disposition Strategy are developed and key internal stakeholders are engaged, the process presented here will be reviewed for alignment and consistency with the comprehensive land management approaches.

Social, Environmental, Economic (External)

No implications identified for the purposes of this report, however, if the proposed Framework is approved, Social, Environmental, and Economic implications will be analyzed on a case by case basis through the Non-Profit Method of Disposition Report.

Financial Capacity

No implications identified for the purposes of this report, however, if the proposed Framework is approved, budgetary implications will be analyzed on a case by case basis through the Non-Profit Method of Disposition Report.

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Risk Assessment

If the proposed Framework is not approved, inconsistencies will remain when transacting with non-profit organizations at below market value. Frustrations will continue to occur between Council, Administration, and non-profit organizations. This risk can be mitigated by either approving the proposed Framework, or creating a framework that works for the parties involved.

REASON(S) FOR RECOMMENDATION(S):

The proposed Framework is intended to provide a consistent approach to transacting directly with non-profit organizations below market value as well as mitigate potential social, legal, financial and reputational risks.

Administration has developed this framework with the understanding that Administration can provide information but should not be the authority to decide whether the disposition of land should be transacted below market value; this decision should reside with Council.

ATTACHMENT(S)

1. Attachment 1 – Current Disposition Process Flow Chart
2. Attachment 2 – Proposed Non-Profit Framework Flow Chart