

Deputy City Manager's Office Report to
SPC on Utilities and Corporate Services
2018 October 10

ISC: UNRESTRICTED
UCS2018-1141

Corporate Land Strategy – Information Report

EXECUTIVE SUMMARY

The City of Calgary is the owner of over 8300 parcels of land. These parcels support the delivery of City services to business and citizens in the form of parks and natural spaces, community-focused services, affordable housing, administration buildings, public works and utility infrastructure. These lands are also an asset for The City, to be managed well in fulfilling its operational needs and leveraged to the benefit all Calgarians. This report provides information about work being led by Real Estate & Development Services (RE&DS) to define a strategic, portfolio-based approach to managing The City's land assets. The purpose is to support RE&DS leadership role in the Corporation to manage public land well and deliver its Real Estate and Land Development & Sales lines of service. The benefits will be more sustainable business operations and decision-making processes that maximize the overarching and long-term value of municipal lands.

Administration is proposing to develop a Corporate Land Strategy for Council approval in Q1 2019. Corresponding RE&DS-specific program strategies will also be delivered as chapters through Q4 2019. The chapters will be aligned to the Corporate Land Strategy and provide clarity on roles and responsibilities, procedures and tactics for RE&DS to deliver its real estate and land development services in a comprehensive, sustainable and customer-focussed manner.

ADMINISTRATION RECOMMENDATION:

The SPC on Utilities and Corporate Services recommend that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

None.

BACKGROUND

Real Estate & Development Services (RE&DS) is a City business unit created in 2016 by the merger of the Office of Land Servicing & Housing, and the Land Division of Corporate Properties & Buildings. RE&DS is responsible to deliver two lines of service for the corporation:

- Real Estate Services
 - Real estate transactions (land acquisitions, land sales, leasing), and
 - Land Administration (land management, policies and standards, land asset information, circulations coordination and advisory services).
- Land Development & Sales Services
 - Service and sell industrial lots to businesses that support economic development and diversification, and;
 - Strategic redevelopment of City-owned lands to support community building and city shaping objectives, including transit oriented development (TOD), mixed use development, and surplus school sites.

RE&DS is largely a self-funded business unit, responsible for managing the financial health and sustainability of its program services and two supporting reserves. The Revolving Fund for General Land Purchases (Revolving Fund) is used to acquire ad hoc land requests for Business

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Units across the corporation. These opportunities can be both significant in value and strategic positioning for The City. The Real Estate Services Reserve is used to fund the development of industrial parks, TOD and other strategic redevelopment sites.

The costs to deliver RE&DS real estate activities are recovered from revenues generated through land transactions (acquisition fees from capital projects, sales commissions on surplus lands) and fees for services (encroachment fees, land title services). Costs to acquire, plan, service and sell RE&DS development projects are fully capitalized within each project and recovered when serviced lots are sold on the open market to builders and developers. RE&DS is therefore accountable to ensure its land development programs generate net positive returns to the Real Estate Services Reserve, which in turn are reinvested to future development projects.

As a newly formed business unit, RE&DS has adopted a culture of continuous learning and improvement to identify and refine work processes to improve efficiencies and deliver better services to its customers. As part of this work RE&DS is refining processes to manage The City's land assets and deliver its services more efficiently, in a sustainable financial model.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Appropriately located and sized land parcels are essential to allow The City to provide public infrastructure and deliver its services to Calgarians. Over time, The City has acquired significant land holdings, currently owning over 8300 titled parcels (~33,600 acres). The Corporate Land Management Framework (Framework) was approved in 2015 to provide a comprehensive approach to managing these land assets. Administration has updated its inventory of The City's holdings and Business Units land requirements. The Framework's land rationalization standard is supporting Business Units to pro-actively review their stewarded lands, confirm operational needs, and identify parcels no longer required for operations. These efforts have generated an inventory of surplus land parcels. This provides the opportunity to take a portfolio-perspective to derive highest value by leveraging these assets for other City purposes and selling parcels that will provide highest returns. Similarly, strategic consideration of RE&DS industrial, TOD and redevelopment portfolios will help ensure that The City's land development projects are being prioritized and delivered to meet market needs, support Calgary's economic development, and to achieve broader community building and city-shaping objectives.

In this regard, Administration, led by RE&DS, is undertaking a review of current issues, opportunities and challenges across its service programs. It will use learnings to define a desirable future state to strategically manage land and deliver its services. This includes a review of public land agency best practices, formalizing principles to support effective decision-making, and prioritizing actions to move in that direction. RE&DS is also developing a stakeholder engagement plan for its own delivery teams, and for business unit partners that steward land or influence corporate outcomes on land.

A strategic, portfolio-based approach to managing and leveraging land assets will:

- Articulate a clear position on the value of land as a resource to The City;
- Provide a portfolio-based (cradle to grave) framework for The City to actively steward its land assets and leverage them to deliver public planning outcomes and triple bottom line (TBL) objectives;

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- Prioritize and develop a long-term plan to ensure the financial sustainability of the RE&DS self-funded services and programs;
- Support the financial sustainability and predictability of the Revolving Fund and Real Estate Services Reserve;
- Create a collaborative environment within Administration to review and leverage land's highest potential to deliver other corporate objectives (including affordable housing units, community building and redevelopment, economic development and business diversification, fund capital infrastructure, etc.);
- Clarify Administration's roles and responsibilities to strategically manage land;
- Clarify RE&DS roles and responsibilities and align programs to deliver the strategy; and,
- Improve land information management processes, parcel data, operating and maintenance costs, market knowledge and customer awareness.

Administration is proposing a two-part series of deliverables. First, a Corporate Land Strategy (Strategy) will be developed to confirm The City's overarching public commitment to managing its land, founded on the Guiding Principles for good land management practice (Attachment 1). It will provide the overall direction and road map for how The City will manage land interests within a sustainable, self-funding model, and how land assets can be leveraged to deliver broader corporate objectives that provide value to citizens. The Strategy will provide a clear City statement on the value of public land, land management expectations, transparency on decision-making and priorities, roles and responsibilities, governance, and direction to address competing corporate objectives. It may also include program-specific directions to clarify The City's commitment in providing its land services to both public customers and partnering agencies that request land to deliver their services. It is proposed the Strategy will be brought forward to Council through SPC on Utilities and Corporate Services in Q1 2019.

Secondly, Program strategies will be developed as "chapters" to provide guidance to the implementers within Administration. They will be aligned with and complement the Corporate Land Strategy, providing guidelines, processes and tactics to deliver RE&DS programs and projects. Though specific to RE&DS, these strategies will be developed in consultation with business unit partners and customers of these services. These Program chapters will not form part of the Council approved Corporate Land Strategy, but be approved as administrative documents by the Administrative Leadership Team (ALT).

Existing program-level strategy chapters and frameworks to be reviewed and aligned include:

- *Corporate Land Management Framework* - Administration of City-owned land (approved by ALT)
- *2013-22 Industrial Land Strategy* – Development of City-owned industrial land (Council approved in 2013).
- Not-for-Profit Land Sales framework – for transacting land at below market value or a nominal cost (as proposed in UCS2018-0912).

New chapters will be created to support remaining program areas. Identified chapters include:

- TOD Implementation Strategy - Development and sales of City-owned station lands
- Surplus Land Sales Strategy – Process for identifying, valuating and prioritizing the sale of land not required by The City

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- Affordable Housing Land Strategy – Process for making City-owned land available to affordable housing providers.
- Infill redevelopment strategy – Guidance for the redevelopment and sale of larger City-owned sites, including surplus school sites
- Leasing Strategy – Guidance for how and when The City will lease public land
- Strategy to address Unsolicited bids to purchase City-owned land

Completion of all program strategies is planned to be completed by Q4 2019.

Stakeholder Engagement, Research and Communication

Work will include a review of other public land jurisdictions, with specific attention to how land is managed and positioned as a corporate asset. Administration will build on those learnings and apply appropriately within The City and Alberta legislative context.

A major component of this work will be to engage key internal stakeholders to inform on the rationale and benefits of a comprehensive land management strategy, and to consult on how Administration can deliver this new approach. Stakeholder groups will include business unit partners in the land stewards' network (Corporate Land Committee/Corporate Land Administration Team) and business units influencing the delivery of corporate outcomes on City land.

Engagement has also been ongoing with managers of similar strategic portfolios at The City to ensure alignment and consistency of direction, and to differentiate roles and responsibilities. This includes the Asset Management program, Corporate Coordinated Operations & Maintenance program (CCOM) and Integrated Civic Facilities Project (ICFP).

The work to develop the Corporate Land Strategy is planned as an internal review to create a principled position on the value of public land to The City and how it will position its resources to best deliver its services. As the Program-specific chapters are developed, external stakeholders will be engaged, as the ultimate customers of lands sold by The City for economic development, TOD and strategic redevelopment.

Strategic Alignment

This work is being informed by and aligned with existing corporate initiatives and strategic directions, including:

One Calgary Service Plans and Budgets process - identifies RE&DS as the service owner to deliver the following two lines of service for the corporation: Real Estate Services and Land Development & Sales Services.

Leadership Strategic Plan: Contract with Council (2014) – this work supports Administration's commitment to strengthen the Corporation's financial position addressing long-term financial needs, maximizing return on municipal land investments, and rationalizing and divesting of municipal land.

Municipal Development Plan (2009) – the strategic management of The City's land assets supports the delivery of numerous goals of the Municipal Development Plan, including supporting a prosperous economy, modelling a more compact development form, creating great communities, and supporting integrated decision-making and investments.

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Real Property Bylaw (52M2009) – The review, policies and strategies will be developed in context with the purpose and authority of this Bylaw and may inform further amendments.

Social, Environmental, Economic (External)

There are no social, environmental and economic impacts resulting from this report for information.

Financial Capacity

Current and Future Operating Budget:

Resources to complete this work are included in RE&DS existing operating budget Program 488.

Current and Future Capital Budget:

Consulting support required to supplement the project will be funded through existing Corporate Land Management Framework (Program 698).

Risk Assessment

There is a risk that if a more strategic, portfolio-based approach is not developed, City-owned land will be used in reactive ways and not recognize its full and long-term value to the community and Corporation. The Corporate Land Strategy will establish The City's commitment to strategic stewardship of its land assets and the provision of good land management practices. It will also help RE&DS align its program delivery to achieve better outcomes. The proposed Strategy and aligned Program chapters will also position Administration to deal with the speed, volume and growing complexity of land decisions and transactions, and support better corporate decision-making and service delivery.

REASON(S) FOR RECOMMENDATION(S):

This report provides an update to Council of Administration's review of current land management practices and processes, and the development of a strategic, portfolio-based approach to managing City land. It communicates Administration's intent to bring forward a Corporate Land Strategy for Council consideration and approval in Q1 2019.

ATTACHMENT(S)

1. Attachment 1 - Corporate Land Strategy – Guiding Principles