EXECUTIVE COMMITTEE

Wednesday, March 11, 2015
11:45 AM

Henry Baker Hall, Main Floor, City Hall

Office of the City Clerk

Public Agenda
Executive Committee
Wednesday, March 11, 2015

Approval of Public Agenda

Minutes of the meeting held on February 10, 2015

Administration Reports

EX15-5 Development of Southeast Lands

Recommendation

1. That the City of Regina develops the portion of the Southeast Lands that is in the 235,000 population growth scenario, through a contracted land development manager as outlined in Option 3 of this report.

2. That the City Manager or his delegate be authorized to enter into a contract for land development management services for the Southeast lands as described in this report.

3. That this report be forwarded to the March 23, 2015 City Council meeting for approval.

EX15-6 The Regina Exhibition Association Limited (REAL) - Authority to Secure External Financing and Enactment of a Borrowing/Guarantee Bylaw

Recommendation

1. That City Council repeal The Regina Exhibition Association Limited Grant Bylaw No. 9103.

2. That the Chief Financial Officer be authorized to negotiate any guarantee or other legal documents required of the City to facilitate The Regina Exhibition Association Limited's (REAL) financing to a maximum of $13 million with HSBC Bank Canada.

3. That this report be forwarded to City Council with a borrowing/guarantee bylaw once the external financing and guarantee has been arranged.

Resolution for Private Session

AT REGINA, SASKATCHEWAN, TUESDAY, FEBRUARY 10, 2015

AT A MEETING OF THE EXECUTIVE COMMITTEE
HELD IN PUBLIC SESSION

AT 11:45 AM

Present:	Councillor Shawn Fraser, in the Chair Mayor Michael Fougere Councillor Sharron Bryce Councillor Bryon Burnett Councillor Bob Hawkins Councillor Terry Hincks Councillor Barbara Young
Regrets:	Councillor John Findura Councillor Jerry Flegel Councillor Wade Murray Councillor Mike O'Donnell
Also in Attendance:	Chief Legislative Officer & City Clerk, Jim Nicol Deputy City Clerk, Erna Hall City Manager & CAO, Glen B. Davies Executive Director, Legal & Risk, Byron Werry Deputy City Manager & COO, Brent Sjoberg Chief Financial Officer, Ed Archer Executive Director, City Planning & Development, Diana Hawryluk Executive Director, City Services, Kim Onrait Executive Director, Transportation & Utilities, Karen Gasmo Executive Director, Human Resources, Pat Gartner Director, Communications, Chris Holden

APPROVAL OF PUBLIC AGENDA

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the agenda for this meeting be approved, as submitted.

ADOPTION OF MINUTES

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the minutes for the meeting held on January 14, 2015 be adopted, as circulated.

CITY CLERK'S REPORTS

EX15-4 2015 School Boards/City Council Liaison Committee - Elected Official Committee Appointments

Recommendation

1. That City Council approve the appointments of Mayor Michael Fougere, Councillor Mike O'Donnell and Councillor Barbara Young to the School Boards/City Council Liaison Committee for a term effective January 1, 2015 to December 31, 2015 unless otherwise noted.

2. That members appointed continue to hold office for the term indicated or until their successors are appointed.

3. That this report be forwarded to the February 23, 2015 City Council meeting for approval.

Mayor Michael Fougere moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

RESOLUTION FOR PRIVATE SESSION

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that in the interest of the public, the remainder of the items on the agenda be considered in private.

RECESS

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the Committee recess for 10 minutes.

The meeting recessed 11:47 a.m.

Chairperson Secretary

EX15-5

March 11, 2015

To: Members,
Executive Committee

Re: Development of Southeast Lands

RECOMMENDATION

1. That the City of Regina develops the portion of the Southeast Lands that is in the 235,000 population growth scenario, through a contracted land development manager as outlined in Option 3 of this report.

2. That the City Manager or his delegate be authorized to enter into a contract for land development management services for the Southeast lands as described in this report.

3. That this report be forwarded to the March 23, 2015 City Council meeting for approval.

CONCLUSION

The recommended approach for the development of the Southeast Lands, within the 235,000 population growth scenario, is to use a contracted land development manager. This will provide a similar rate of return as developing the land internally however will reduce the strain on existing resources and capitalize on external expertise to manage the land development. It is estimated that this option would provide at least $30 million more in revenue than a 50/50 joint venture.

The difference in revenue to the City for development of the South East Lands from a contracted development manager to a 50 % joint venture is at least $30 million. In context $30 million is approximately equivalent to a cumulative 15% property tax increase (ie a 3% property tax increase for five years).

BACKGROUND

Through report CR12-126, on August 20, 2012, Council approved the acquisition of the Southeast Lands from the Saskatchewan Housing Corporation (SHC) for $7.76 million. The purchase price was negotiated based on the interest the City had in the land title (5 %), the share of profits from development that the City would receive under the development agreement with SHC (75%) and the market value of the land at the time of the sale of $13.7 million. The sales agreement with SHC, as outlined in CR 12-126, restricted the City's ability to sell the Southeast Lands as there is a right of first refusal for SHC to buy the property back, should the City wish to sell the land rather than develop it. As such, the report recommended "*That a further report be provided to Executive Committee in Q4 of 2012 outlining the potential models for developing these lands, including the risks, benefits and the next steps.*"

The Southeast Lands include 128.4 acres that are within the 235,000 population growth scenario as identified in subject B in Appendix A, which would be developed as Phase 1. There is an existing approved concept plan in place and the intention is to submit an amendment to the concept plan. The lands include another 129.09 acres that are located within the 300,000 population growth scenario which would be developed as a future phase. Analysis of the opportunity and risks for the future phases are outside the scope of this report.

To assist in its consideration of the development options for the Southeast Land, the City retained G.P. Rollo & Associates, Land Economists (GPRA) to prepare a Development Opportunity Study to determine the demand for the lands, revenue potential and risks in pursuing alternate development options. The GPRA report (attached as Appendix B) recommended that the City pursue development of the Southeast lands by hiring a development manager.

DISCUSSION

The southern portion of the Southeast Lands (see Subject Property B in Appendix A) can be developed immediately. The site is 128.4 acres and is expected to net approximately 90 acres of developed land. Based on the preliminary land use design, this land could support up to 978 housing units (200 single family lots, 400 townhouse lots and 378 multi-family units). The projected costs and cash flows for the development of 128.4 acres, assuming a construction start in 2015, are provided in the following table:

Year	**Project Costs**	**Revenue**	**Cumulative Cash Flow**
2015	$20.2 million		-$20.2 million
2016	$17.2 million	$14.8 million	-$22.6 million
2017	$8.9 million	$62.7 million	$31.2 million
2018	$10.8 million	$17.9 million	$38.6 million
2019		$19.7 million	$58.0 million
	Total Cost	**Total Revenue**	**Net Revenue**
Total	$57.1 million	$115.1 million	$58 million

Note: Estimates from G.P. Rollo & Associates, Land Economists "Development Opportunity Study, Southeast Lands September 2013" Appendix B. Estimates do not include initial land cost, costs for an external land development manager estimated to be $2.9 million, or costs and revenues for a joint venture option

In preparation for development of the area with the 235,000 population growth scenario, the City, as a land owner, has worked in cooperation with the other area land owners and external consultants on the Southeast Secondary Plan. The City, as land owner, has also worked in cooperation with adjacent land owners on the Concept Plan for the area. This included various required studies such as traffic, topography, and environmental as well as design and engineering work for land use, water, storm water, and wastewater. It is anticipated grading work on the site could occur in 2015.

Risk

Typical risks in land development and how they apply to this project are as follows:

a) Land value risk: land acquisition costs and the risk that the value of acquired land changes, due to market circumstances. In this case the land was purchased by the City in 2012 and the market value has since increased substantially.

b) Land exploitation risk: the risks associated with environmental issues when considering land development. This site is a green field development and an environmental assessment has been completed on the land with no issues found.

c) Planning risk: the risk that planning permission may not be received, or that this process takes longer than expected. In this case, the land is within the 235,000 population growth scenario of the Official Community Plan (OCP) and development is allowed to occur. A Secondary Plan and Concept Plan are underway with consultants preparing the plans on behalf of the land owners. The consultants have been working with the Planning and the Development Services Departments on the land use and technical solutions to infrastructure as well as community stakeholders. It is anticipated the Secondary Plan and Concept Plan will be ready to be submitted in Q2 of 2015.

d) Construction risk: this regards pricing, design, quality and possible delays. This is a risk that will need to monitored and actively managed.

e) Revenue risk: there are many factors that influence revenue-related risk. These include yields, rent levels, sales price levels, inflation and interest rate levels, demand and supply.

The estimates used for revenues are using conservative sale price levels and other assumptions. Interest rate levels and the supply and demand will need to be monitored with the phasing strategy reviewed as required.

While demand can change, the economic forecast for 2015 has identified a decreasing but still strong market. Colliers 2015 Real Estate Review and Forecast dated February 4, 2015 projects approximately 2,100 housing starts in 2015 for the Regina Region which is slightly lower than 2014 but still at a strong level. The forecasted population growth for Regina is just under 2.5%. The Real GDP growth forecast for Regina in 2015 is projected to be 3.5%.

Canada Mortgage and Housing Corporation's Housing Market Outlook states" Regina is forecast to see total housing starts decline to 2,090 in 2015 and 2,050 in 2016 after posting 2,223 starts in 2014."

While both reports project a decline in the market over last year it is still a healthy market that is well above the historical average of the last 10 years. For context there was about 1600 starts in 2011 and about 900 in 2009.

The Conference Board of Canada, in a news release in October 2014 states: "Edmonton, Saskatoon, Calgary and Regina are positioned to be the fastest growing census metropolitan area (CMA) economies in Canada this year and next". "While economic growth in Edmonton, Saskatoon, Calgary, and Regina will cool from the red-hot pace seen in recent years, growth will remain brisk by national standards," said Alan Arcand, Associate Director, Centre for Municipal Studies.

If there is a change in the market demand, then the phasing strategy would be reviewed to ensure the business model reflects the current risk and opportunity.

f) Duration risk: the duration is a consequence of other risks that can delay the time it takes for a project to generate financial returns. Duration or project delays can impact interest costs, but can also cause other problems; A delay could also mean that the project has to face adverse market circumstances. The more financial leverage is used the greater the impact of time delays. In this case there is no plan to leverage the investment so duration risk is lower. However, duration risk can impact the expected timeframe for return on the investment to be realized.

g) Political risk: the risk that the project encounters problems due to a change in government, regulations, etc. The planning process for the project is following the updated OCP. The interim phasing and financing plan has identified that this land can be developed now. There is low risk of regulations changing that would impact this project.

As the City is the owner and developer, there is a risk that the project could be paused, or have the scope altered in response to input by other land developers in the community concerned about the effect of City development on market conditions. This risk is within the control of the City through City Council.

h) Partner risk: the risk that a partner in the project cannot meet its obligations or disagrees on the way forward.

The recommendation is to use an external land manager. This model is a fee for service model that has less risk than a joint venture agreement that is reliant upon the commitment, and performance of an external partner. A joint venture would add the risk of reliance upon a partner to perform and also introduces the potential for motivation conflicts caused by other projects the partner may be involved in.

i) Legal risk: covers a broad area of topics related to: increased costs due to additional legal review around contracts and sales agreements, potential legal action due to liability risks (e.g. infrastructure) or contract disputes (e.g. contractors or lot purchasers). These are typical legal risks with respect to land development which the City currently has with our current land development projects. This development has currently not identified any new or extraordinary legal risks through the evaluation of these lands.

j) Human Resource Capacity Risk: This covers the risk of not having enough staff capability with expertise, ability and sufficient capacity to deliver on the project. The City has some skills and limited expertise, but would need to ramp up these types of staff resources to ensure capacity to deliver the projects if third party resources cannot be contracted.

The City owns the land and in cooperation with other adjacent land owners has engaged planning and professional consultants to ensure the required applications for zoning and public engagement processes are followed.

The City has no further costs to acquire, finance or hold the land. Further investment is required for the land development construction which includes, design, engineering, grading, construction of underground infrastructure, construction of surface infrastructure, and service agreement fees. Further expenses also include registering plans of subdivision and marketing costs. The total cash flow exposure is about $22.6 million which reflects the potential total costs invested before revenue is returned and excludes land costs. Once the costs are incurred and construction of infrastructure occurs the asset has increased value and, if necessary, can be disposed of for a full cost recovery.

The risk of this project is associated with how quickly the return on the investment will occur. This is not a case of land speculation but one of investing in infrastructure to transform the land and capture the value lift that occurs with land development. The current market value of the land is estimated to be $29 million and the value would increase as development occurs. While market conditions can change, the land is permitted, under the OCP Phasing and Financing Interim Plan and it is estimated that the investment would start returning revenue within two years and would have a positive cash flow in three years. Once the investments are made to transform the raw land to developed land the value of the asset has increased thereby reducing the risk exposure.

Development Methods/Options

A report, prepared by G.P. Rollo & Associates, Land Economists, recommended that the City pursue development of the Southeast Lands by hiring a development manager rather than pursuing a joint venture development. The report by G. P. Rollo & Associates (GPRA) stated:

"While the City would take on a higher risk from hiring a development manager than pursuing a joint venture, GPRA believes that these risks can be managed equally well with a development manager or a joint partner. Furthermore GPRA believes the City should be able to hire a development manager with similar experience to that of the City's housing development companies."

The Administration considered four methods as options to develop the Southeast Lands:

Option 1 Sell the Southeast Lands

The purchase agreement and the terms for the termination of the joint land development agreement with SHC provides the SHC a right of first refusal should the City wish to sell the land. If the City wished to dispose of the land it must be offered to SHC at the original purchase price of $7.63 million. This price was negotiated based on the interest the City had in the land on title (5%), the share of profits from development that the City would receive under the development agreement with the SHC (75%) and the market value of the land at the time of the sale of $13.7 million. The funds from the development agreement (75%) were to be used for funding the City's housing programs and expenditures required approval of SHC Board of Directors.

The purpose of the clause, was to provide some assurance to the SHC that the City would develop the land, if the City were to exercise its right of first refusal as the land was sold at a negotiated rate discounted to reflect the development agreement. This clause was in place, so that if the City decided not to develop the land but sell the land, then the SHC would be able to restore their 95% ownership position. Given that the SHC originally advised the City they wished to terminate the land development agreement and sell the lands, it is unlikely that the SHC would re-enter land development. It is an option that the SHC would repurchase the land, and then offer the land for sale as the market value of the land has increased substantially since the City purchased the land from the SHC. The City share of a new land sale by the SHC would be subject to negotiation as the land development agreement had the obligation of the SHC to share revenue (75%) and the ownership position the City had on title was 5%. The current market value of the land is estimated to be $29 million. While it is uncertain what the City would receive for its share of sale proceeds as it is dependent upon re-negotiating with the SHC for a share based on termination of the land development agreement that had the city receiving 75% of the net profits of the land and having 5% share of the land ownership on title.

Advantages

- No land development risk.
- Avoids any concerns from the public or development industry of the City developing land.

Disadvantages

- No opportunity for revenue from land development. There is a lift in value that occurs with servicing and subdivision that the City would be choosing to forego.
- The City and SHC would need to determine how to disengage the development agreement and joint ownership of the land.

- Uncertainty about what the City's share of revenue from the sale of land would be.

Option 2 Develop the Land with the City's Internal Resources

The land could be developed with the City's internal resources. The City would provide the capital costs and would ensure there was internal capacity with the skills required to manage the development of the land. This would require additional staff to ensure capacity to deliver. The City has experience with land development project management and under this option would use external consultants for planning, engineering and marketing of the land with city staff overseeing the budgeting, planning, sequencing, contract management and risk management.

Advantages

- The existing structure and funding mechanisms could be used.
- Projects can be prioritized and executed within existing structure.
- City retains 100% of the profits estimated to be $60 million.

Disadvantages

- Risk on execution due to competing tasks and projects.
- Staff resources and capacity are required to focus on the planning, executing and monitoring of projects.
- Duplication of land development skills with expertise that is difficult to recruit.
- The City has no recent experience in large scale residential development and the City would need to bolster the staff resources.
- Political influence on timing for decisions, funding, process and method of delivery that is subject to rapid change.

Option 3- Hire an External Contracted Land Development Manager

This approach is how Windsor Park, the previous phase of the Southeast Lands was developed jointly by the City and the SHC. The land development manager would produce budgets, handle sequencing, marketing and manage the risk with oversight from City staff who would coordinate these activities into the City budget and contract management processes.

Advantages

- This type of arrangement was used successfully by the SHC to develop the Windsor Park lands jointly owned with the City.
- Projects can be prioritized and executed within existing structure.
- Less strain on existing City resources.
- The contractor will have extensive expertise with residential development projects.
- City retains 95% of the profits estimated to be $60 million (see note in table below).

Disadvantages

- The typical land development management project management agreement cost is 3% to 5% of revenue.

- Staff resources and capacity are still required to focus on managing the contract and ensuring the decisions and actions are aligned with the direction and contract.
- Political influence on timing for decisions, funding, process and method of delivery that is subject to rapid change.

Option 4 Joint Venture with a Private Development Corporation

This approach would have each partner contribute to the cost of the development and receive a share of the net profits based on the share of investment. It is typical to have joint ventures at 50% shares.

Advantages

- The amount of financial risk exposure can be reduced by private partner sharing in costs.
- Can benefit from private sector experience in residential land development for project management and marketing.

Disadvantages

- The typical land development joint venture agreement is a 50/50 arrangement. This means the City is giving up the opportunity for 50% of revenue.
- While the quantum of financial risk can be reduced by a partner participating in the cost sharing, the degree of risk (or the amount the risk can be managed) is only slightly reduced by this option because of the immediate timeframes of this project.
- A joint venture introduces partnership risk due to reliance upon a partner to perform its obligations and agreeing on decisions to be made.
- There is an approved concept plan in place with the intent this would be updated by an amendment to the concept plan. The planning and design work for the concept plan amendment is underway. Some of the work that typically would be done under a joint venture has been completed.
- The first phase of the Southeast land is relatively low risk as the development time horizon is immediate. There are no holding costs, no speculation on when the land would be developed and the development infrastructure constraints are known and servicing, engineering and construction can be estimated. There is some market uncertainty and demand may be reduced in the future but there is a limited supply of lands in the 235,000 growth scenario so even if the market softens this is a reasonably good investment. A joint venture would mean giving up 50% of the revenue opportunity for reducing the quantity of risk related to the level of financial investment.
- Staff resources and capacity are still required to focus on managing the budgeting and the contract to ensuring the decisions, progress and actions are aligned with the direction and contract.

The following table summarizes and evaluates financial implications of each of these options:

Option	Note	Financial Result	Risk
Sell Southeast Lands	Sales agreement has reversionary clause that provides the SHC with right of first refusal at original price	Land development revenue is zero. $7.63 million for sale back to the SHC. If the SHC resells the revenue the City would receive from that sale is uncertain.	No risk No reward
Develop Land with Internal Resources	Would use City corporate resources such as HR, legal, Finance, Facilities etc.	City would realize 100% of profits estimated to be $63 million.	Risk is when the costs of infrastructure will be re-captured
Contracted Land Development Manager	Typical arrangements are about 5% of land sales	City retains 95% of profits estimated to be $60 million*	Risk is when the costs of infrastructure will be recaptured
Joint Venture	Assuming 50% partnership with private developer	City retains 50% of profits estimated to be $31.5 million*	50% of the financial investment is transferred to the private sector

Note: the estimates of financial return are based on lowest assumption in Southeast Land Development Study completed by G.P. Rollo & Associates, Land Economists

RECOMMENDATION IMPLICATIONS

Financial Implications

The funding required for the Southeast Land development project is $27.75 million. The funds allocated in the capital budget for land development would be transferred to this project. This includes $16.19 million in capital carried forward for delayed land development projects (Southeast Lands, Hawkstone and Parliament) and $11.56 million approved in the 2015 capital budget for land development that included an allocation of $10 million for the Southeast Lands. The development of the City owned lands in Hawkstone would be placed on hold until there is sufficient funding in the land development reserve to proceed. An alternative design option has been identified for the Parliament project that requires less capital funds for development and will bring the land to market in 2015. Work is being done on the Southeast Lands on costing, phasing and the project schedule and this work will provide estimates of the cost based on the design and servicing solutions required. It is anticipated that any further funding for this phase and future phases of the Southeast Lands would be sourced from the Land Development Reserve. The most recent projection for the Land Development Reserve is to realize $10 million from land sales revenue in 2015 from the Parliament development as well as from the sale of identified surplus properties and former school sites.

If the recommendations in this report, to use an external development manager to develop the Southeast Lands that are in the 235,000 population growth scenario, are approved then the City is projected to achieve at least $60 million in net revenue.

If City Council determines that a 50/50 joint venture is more desirable the City would expect to receive approximately $31.5 million in net revenue.

If the City determines the Administration should manage the development of the Southeast Lands in the 235,000 population growth scenario in-house the City would expect to achieve at least $63 million in net revenue.

Environmental Implications

There are no known environmental issues with the land to be developed.

Policy and/or Strategic Implications

The leveraging of city-owned surplus land to create revenue is aligned with the Community priority of Long-term Financial Viability and OCP Goal Number 4 – "Ensure Revenue Growth and sustainability"

The City acting in the role developer for city-owned land will enable the City to leverage the current opportunities it has in land ownership to address insufficient revenue sources to deliver on the City's policy objectives. The option enables strategic focus on the economic opportunities that come with population growth and high demand for various forms of real estate. If approved to proceed, the land development revenue will help achieve the following City policies:

a) Official Community Plan Goal Revenue Sources
   - Ensure revenue growth and sustainability

b) Official Community Plan – Community Priority
   - "Achieve long term financial viability" – search out new ways to generate revenue to ensure the City has the financial resources to meet customers' needs

c) Strategic Plan 2014-2017
   - Objective 1.1 under 'Direction 1: Manage Growth' – "Revenues are optimized to support sustainable growth." In particular, the percentage of revenue from non-property tax sources can be increased if revenue from land development is pursued.

Other Implications

This is an alternative revenue source that is within the city's authority to act on without being reliant upon a more senior level of government providing authority. This can provide significant corporate ability to fund projects with considerable one time costs.

Accessibility Implications

None with respect to this report

COMMUNICATIONS

A copy of this report was provided to the Regina and Region Home Builders Association and the land owners that are participating in the Southeast Secondary plan project.

The secondary and concept plans will be subject to the required community consultation and public process for plan approvals.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

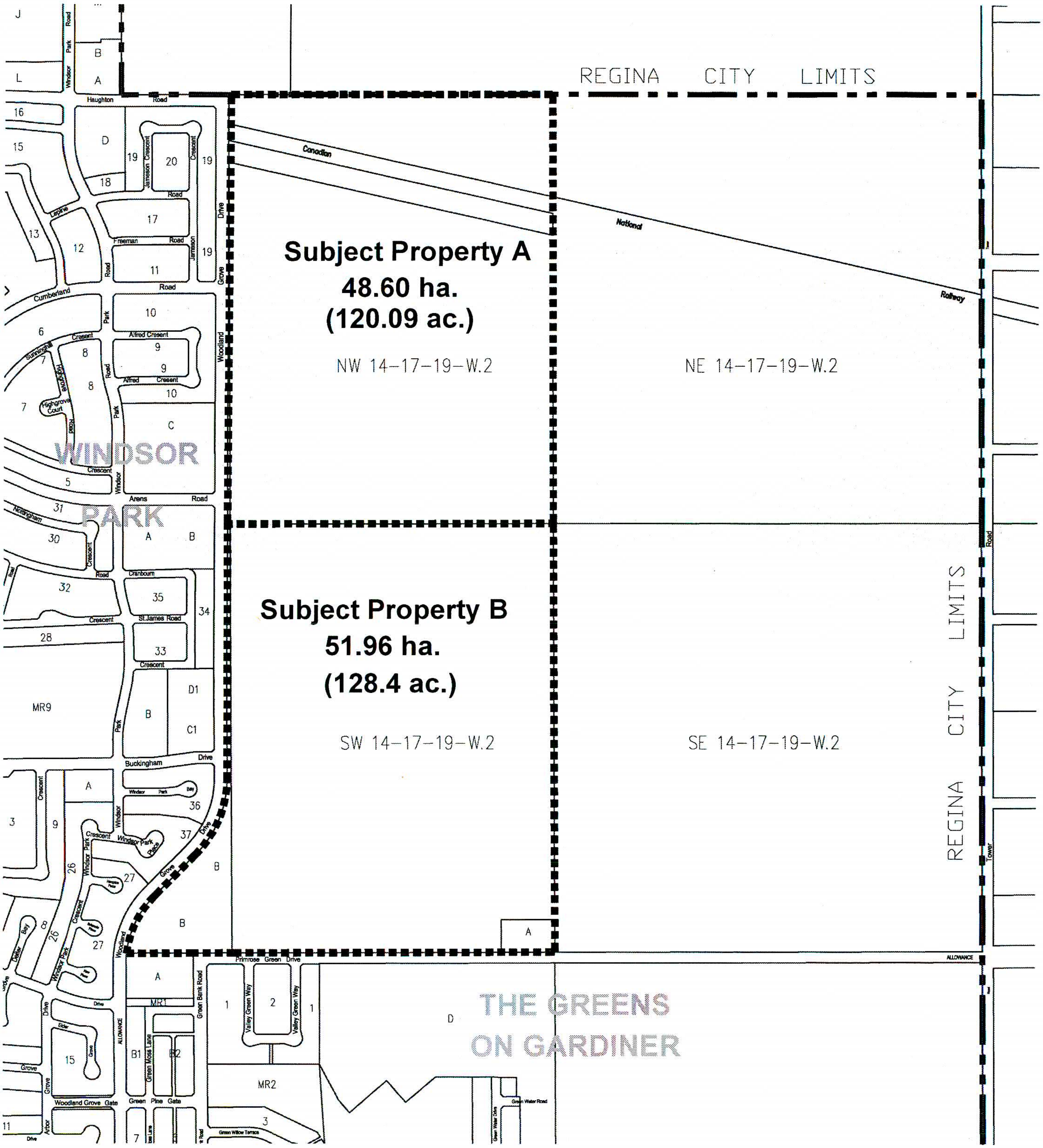
Don Barr, Director/ City Assessor
Assessment, Tax & Real Estate

Respectfully submitted,

Diana Hawryluk, Executive Director
City Planning and Development

Report prepared by:
Don Barr, Director/ City Assessor

Appendix "A"



Subject Property

Real Estate Branch
Planning & Development Division

REGINA | City of Regina

Project Lot Sale   Civic Address/Subdivision Portion of NW 14-17-19-W2M. And Part of SW 14-17-19-W2M.

File No. O:\UP\Real Estate\2012\Portn NW 14-17-19-W2M.dwg

Development opportunity study
South East Lands

City of Regina

September, 2013

Prepared by:
G.P. Rollo & Associates, Land Economists

Executive Summary

G. P. Rollo & Associates (GPR) has been retained by the City of Regina to prepare a Development Opportunity Study for its 248.5 acre South East Lands .

The following are the highlights of the Study:

1) The City's lands are strategically located to benefit from the path of new development moving into the southeast sector.
2) The strong provincial and City economies driving the employment, population and housing growth in Regina. These circumstances are likely to remain for the next several years.
3) There is a major role and opportunity for the southeast sector and City's southeast lands to accommodate future housing growth no matter which OCP development scenario is ultimately chosen to guide future residential development throughout the City.
4) Considering that the supply of current stage development lands is sufficient to accommodate residential growth for only the next 5-7 years (less for developable lands in Area G south of the City's lands), there is an opportunity and need for the City to proceed now with the planning and development of its lands. Assuming this was to occur, GPRA sees the timing of planning, servicing and sale of the City lands occurring as follows:
   a) <u>2013-2014:</u> planning and approvals
   b) <u>2015-2016:</u> initial servicing
   c) <u>2016+:</u> land sales begin in 2016. Phase 1 lands sold by 2019 and Phase 2 lands by 2024.
5) GPRA has estimated the value of the City's lands assuming that land values are appreciating at 5% versus 10% per annum. The indicated value of the lands are:
   a) <u>Scenario A, land values increasing at 5% per annum:</u> total land value = $12,180,000 or $49,000 per acre. GPRA views this as an unrealistic value for the lands as current market transactions of similarly sized parcels are now occurring at over $100,000 an acre.
   b) <u>Scenario B, land values increasing at 10% per annum:</u> approximately $29,000,000 or $116,000 per acre.
   c) Given the very high level and preliminary cost analysis completed for this Study and the fact that a comparable sized property was purchased by Dundee in the northwest in April/2013 for $120,000 per acre (336 acres sold for $40,590,000 or $120,578 per acre), GPRA believes that the market value for the City's 248 acres should be equivalent to the Dundee northwest acquisition or $120,000 per acre.
6) GPRA estimates the revenue the City could realize by developing the lands would be greater by hiring a development manager than pursuing a joint venture development with a private sector housing developer.

Table 1

City Net $ Proceeds from Pursuing Alternate Development Strategies

	$ Procceeds, Varying Annual Land Price Escalation		Comments
	5% Escalation	10% Escalation	
Development Option #1: City Hires Development Manager	64,158,495	139,013,278	Maximum risk for City of Regina. Maximum revenue for the City.
Development Option #2: City Pursues Joint Venture			
(#2a) Cash flow split 50%/50%	29,910,281	53,636,217	City receives market value for its lands plus 50% of net development revenue.
(#2b) Cash flow split 60% to developer and 40% to City	24,694,470	44,369,464	Illustrates improved situation for developers wanting to realize more than 50% of cash flow.
(#2c) Cash flow split 75% to developer and 25% to City	18,871,754	27,694,659	Illustrates higher % of cash flow for developers.

Note (1): City buys land from SHC for market value ($29M) and sells to Joint Venture for market value ($29M), therefore net land cost to City = $0.

Source: G.P. Rollo & Associates Ltd.

7) A development manager can be an independent project manager for hire one of the City's experienced real estate development companies. However, care must be taken in hiring a large development company to ensure that potential conflicts of interest in representing the City's interests understood and minimized. Towards that end, GPRA recommends that the City strive to hire an independent development manager with minimal potential conflict of interest with the City's interests.

Contents

1.0 INTRODUCTION

In 2012 the City of Regina purchased approximately 248.5 acres of land in south-east Regina (the Southeast Lands) from the Saskatchewan Housing Corporation (SHC). The City is now examining the merits of alternate development options for proceeding with development of the lands. Alternate options include hiring a development manager and developing on its own versus pursuing a joint venture with private sector developers.

To assist in its consideration of these development options, the City has retained G.P. Rollo & Associates, Land Economists (GPRA) to prepare this Development Opportunity Study to determine the demand for the lands, revenue potential and risks in pursuing alternate development options.

More specifically, GPRA has undertaken the following tasks in completing the Study.

1) Travelled to Regina to inspect the site and determine its competitiveness in light of a growing demand for housing and the potential supply of development lands throughout the City.
2) Interviewed several Regina housing developers to obtain their views with respect to the nature and magnitude of demand for southeast sector housing and the type of housing that should be pursued on the City's lands.
3) Building on a November, 2012 "Background and Visioning Workshop" for the southeast sector and discussions with Regina developers, prepared a site development plan, i.e. a mix of housing units (single family, townhouse and apartment development) and density of development by type of housing.
4) Prepared estimates of land sales revenue for serviced single and multiple family lands from discussions with Regina housing developers and observing recent comparable land sales.
5) Obtained servicing costs for the City lands from AECOM and the City of Regina (City Servicing Agreement Charges).
6) Estimated the current market value of the City's lands in total (249.49 acres) and for Phase 1 (128.49 acres) and Phase 2 (120.09 acres) land areas. The purpose of this evaluation is two-fold: firstly to estimate the value of lands the City would sell to a joint venture corporation and secondly to identify the value of the lands should the City wish to sell the lands as is.
7) Forecast total net revenue potential that the City could realize from pursuing development of the lands:
   a) Firstly: hypothetically, as if the City was to pursue development based on its prior agreement with SHC.
   b) Secondly: the City hires a development manager and develops the lands on its own.
   c) Thirdly: the City pursues joint venture development with a private sector developer.
8) Assessed the risks to the City in pursuing each of the above development options.
9) In light of the above, presented a recommendation to the City as to what development option (hire a development manager versus pursuing joint venture development) GPRA believed was in the best interests of the City to pursue.

2.0 ASSUMPTIONS AND LIMITING CONDITIONS

This Development Opportunity Study is based upon the following assumptions and limiting conditions.

1) The City's objectives in assessing alternate development strategies for the lands is to maximize revenue without incurring unacceptably high levels of market, physical, environmental and financial risks.
2) A development plan for the site has been prepared by GPRA based the November 2012 Southeast Sector "Background and Visioning Workshop" and GPRA discussions with Regina developers regarding what mix of housing types and density of development is appropriate for the lands given current trends in housing demand and growing market concerns regarding the affordability of housing in Regina.
3) There are no soils, environmental or site physical constraints that would preclude the general development concept for the lands as described in the November, 2012 "Background and Visioning Workshop".
4) Site servicing costs (excluding those provided in the City's Servicing Agreement Charges) have been estimated by AECOM. These are meant to be high level estimates based on examining servicing costs of comparable development areas rather than on meeting detailed servicing requirements for a specific development program (the November "Background and Visioning Workshop" for the lands did not culminate in a detailed development program for the south-east sector and City lands).
5) GPRA has drawn on discussions with the following individuals with regards to discussing current and future Regina housing demand and trends, the most appropriate mix and density of development for the City's southeast lands, site servicing costs, and development manager versus joint venture development strategies.
   a) Ned Kosteniuk, Dundee Development
   b) Blair Foster and Chad Jedlic, Harvard Development
   c) Lorne Yagelneski, Yager Development
   d) Kevin Rees, Katrina Development
   e) Doug Rogers, Terra Development
   f) Rob Mosiondz, AECOM
   g) Dan Lemming, Planning Partnership, Toronto
   h) Ron Fink, Daytona Land Development (re the Copperwood, a joint venture development undertaken by Daytona and the City of Lethbridge).
   i) Doug Schwitzer, Saskatchewan Housing Corporation
   j) Don Barr and Chuck Maher, City of Regina
6) Financial analyses are pre-tax analyses and do not consider the income tax implications of development of the lands.
7) Maps illustrating the location of the City's southeast lands have been drawn from 2011 site appraisals by Crown Appraisals.
8) All statistical information provided in this study has been drawn from sources deemed to be reliable, for which we assume no responsibility, but which we believe to be correct.
9) No responsibility is assumed for legal matters, questions of survey and opinions of title.
10) Statements contained within this study which involve matters of opinion, whether or not identified as such, are intended as opinion only and not as representations of fact.
11) This report is intended to be read in its entirety; individual sections should not be extracted or reproduced or in any way utilized independently of the complete report.

This study is qualified in its entirety by, and should be considered in light of these limitations, conditions and considerations. If, for any reason, major changes should occur which influence the basic assumptions stated previously, the findings and recommendations contained in these analyses should be reviewed with such conditions in mind and revised if necessary.

3.0 THE SOUTHEAST LANDS

The City's southeast sector lands are strategically located to benefit from rising demand for housing at a time when there is a growing shortage of City wide development sites for the next several years. The timing of the City's purchase of the lands from SHC is opportune and will generate considerable revenues for the City no matter what development option (hire development manager or pursue joint venture development) is pursued by the City.

3.1 History and Context

The City of Regina entered into a partnership arrangement in the early 1970's to acquire land holdings for future housing development. Development is governed by Land and Development Agreements and Phase Development Agreements. The southeast lands that are the subject of this Study are governed by these agreements.

SHC advised the City that it wishes to withdraw from the partnership and sell the southeast lands to the City. The City has now purchased the lands (for $7.8 million or $32,750 per acre) and is considering alternate development strategies to proceed with development.

A Termination Agreement ending the partnership provides SHC with a right of first refusal to buy the property should the City wish to sell the land rather than develop it. SHC requires this clause due to the discounted price at which the land is being offered to the City on the basis that the City continue the land development.

3.2 The City's Southeast Sector Lands

The regional location of the southeast lands is illustrated in Figure 1. The lands are divided into Phase 1 at 128.49 acres and Phase 2 at 120.09 acres (Figure 2) lands.

Figure 1 – Regional Location of the City Lands

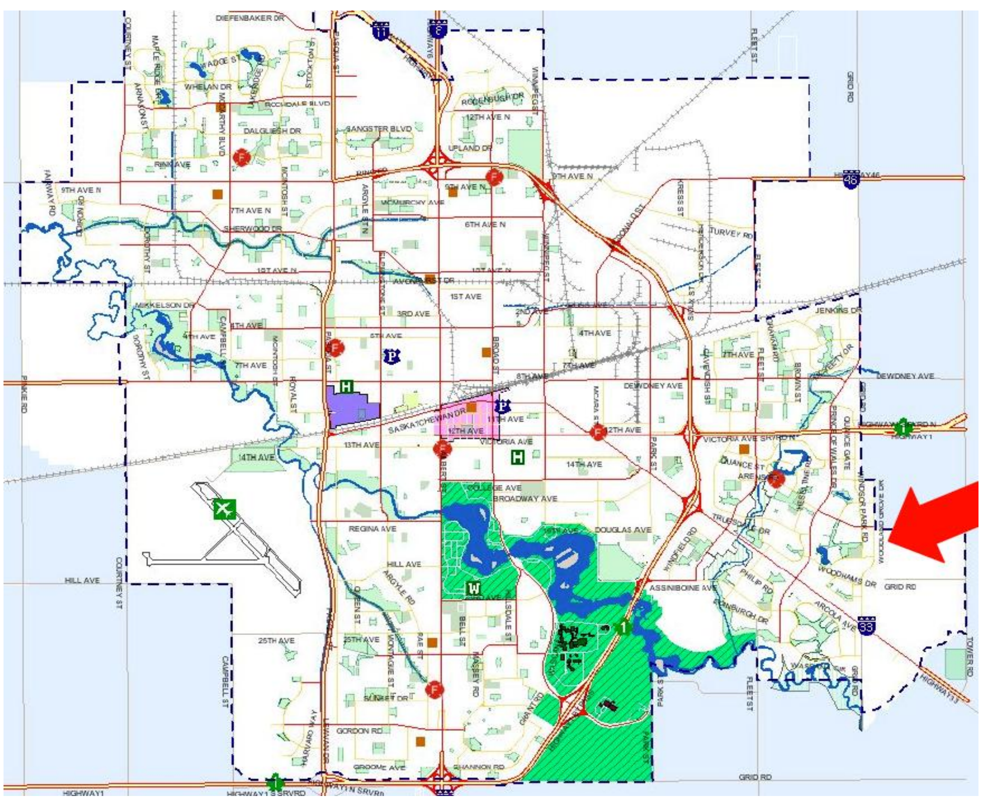


Figure 2 – The City's South East Sector Lands

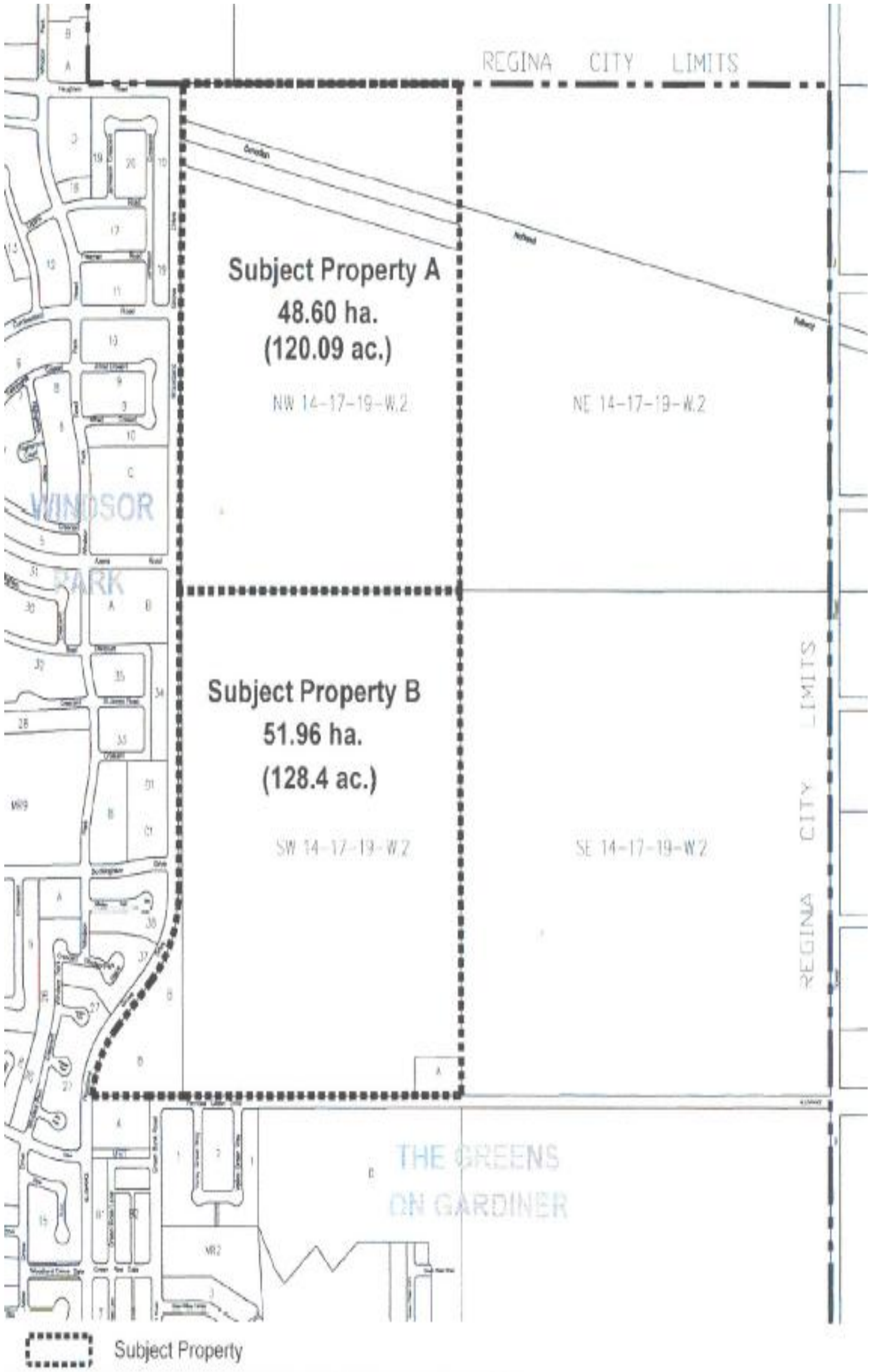
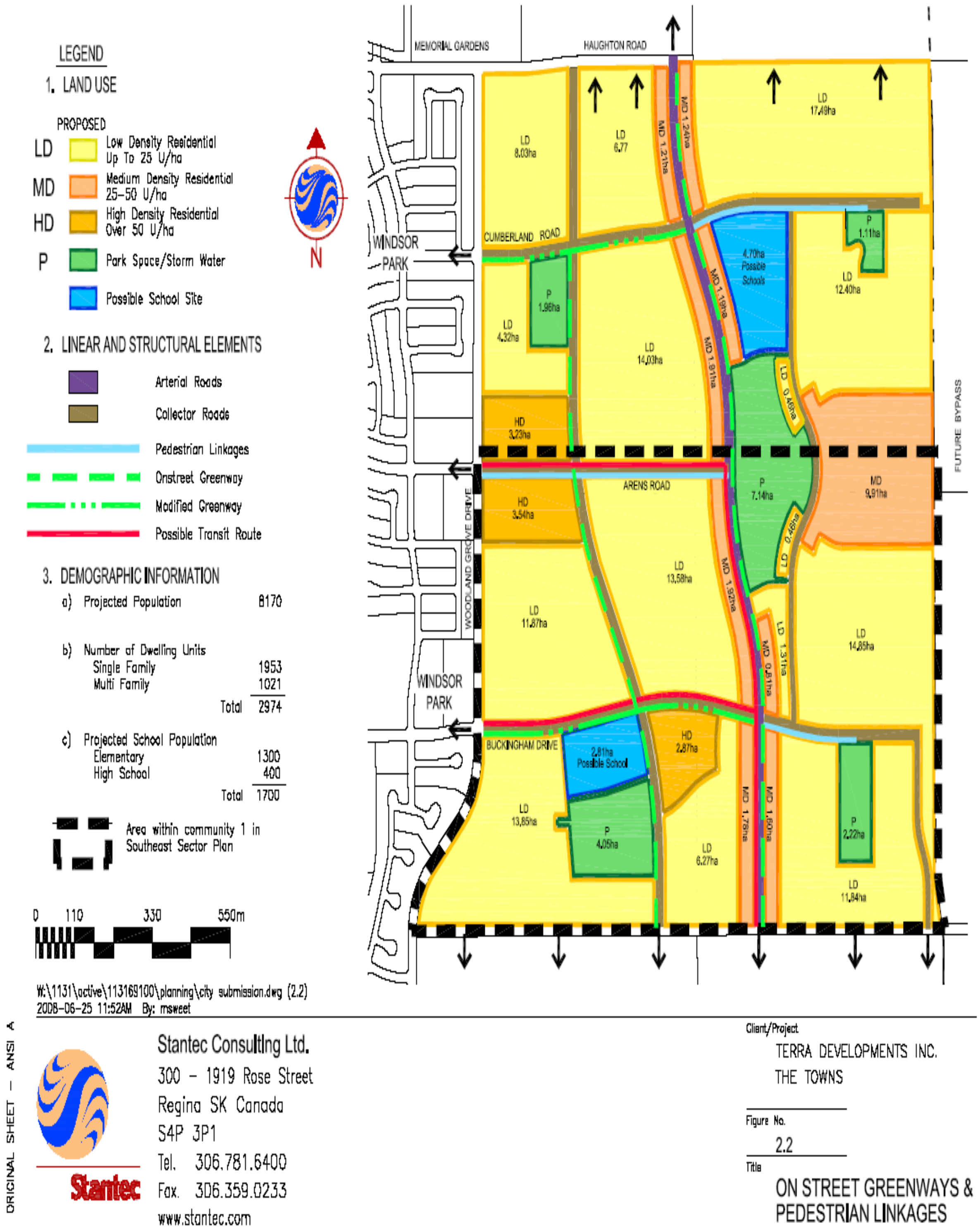


Figure 3 – City Lands, Southern Phase 1 Development Lands (128.49 acres)

Figure 4 – City Lands, Northern Phase 2 Development Lands (120.09 acres)

The approved development plan for southeast sector lands is represented by Figure 5 – South East Sector Development Concept – the Towns. The Plan is a vision primarily for residential development. The distribution of low, medium and high density residential development is illustrated in below.

Figure 5 – South East Sector Development Concept – the Towns



An alternate development plan for the southeast sector was proposed by the development community at the Southeast Sector Background and Visioning Workshop, November, 2012 – Figure 6, South East Sector Development Concept from November, 2012 Charrette illustrates the preferred development concept that emerged from the workshop. The concept features a large commercial centre in the northeast and a mix housing at varying densities:

1) Low density development in the interior of neighborhoods would consist of detached dwellings and have new standards for reduced front yard setbacks. Density of development is up to 10 units per acre.
2) Medium and high density housing would create corridors to support transit routes along major roadways, near commercial sites and at the edges of neighborhoods. Medium density development is 10 to 20 units per acre. Higher density development is 20+ units per acre.
3) In recognition of growing housing affordability problems in Regina, the Development Concept features a higher density of development than the Towns. The City is working towards addressing housing affordability problems and towards that end, GPRA understands that the City generally supports the vision and density of development proposed in the developer proposed South East Sector Development Concept.

Figure 6 – South East Sector Development Concept, From November, 2012 Charrette

4.0 FACTORS SHAPING DEVELOPMENT POTENTIAL OF SOUTHEAST LANDS

Saskatchewan and Regina are in the midst of a period of strong economic growth. The prospects for continued growth are good and this will have a significant impact on the demand for housing on the southeast lands, the underlying value of the City lands and the revenue the City could generate from the development of its lands.

1) Presenters at the recent April 30th, Saskatchewan Real Estate Forum noted the strength of the Saskatchewan and Regina economies. Comments made at the Forum included (comments from Conference Board of Canada and Larry HIles of the Regina Regional Opportunities Commission):
   a) Saskatchewan is enjoying a period of solid economic prosperity.
   b) Economic growth is anchored by the potash industry and steady gains in energy sector. Continuing growth in the agricultural, mining, manufacturing and service sectors also adds to the strength of the provincial and City economies.
   c) Saskatchewan is enjoying a higher rate of growth than Canada in real GDP.
   d) Regina's growth of GDP is higher than other major eastern Canadian cities; higher than Calgary, Vancouver, Winnipeg and Victoria (only slightly lower than Edmonton).
   e) Recent economic headlines re Regina:
      - Regina is in top 10 Canadian jurisdictions in which to invest (Site Selection Magazine).
      - Regina is 3rd most entrepreneurial city in Canada for 2012 (CFIB).
      - Regina is the 5th best city in Canada in which to live and 6th bet to find a job (Money Sense).
      - Regina sets building permit records for 10 of last 11 years.
2) The Prospects for long term continued economic growth in Saskatchewan and Regina are excellent. However, with the provincial economy being so dependent upon its resource sector, it is prone to boom and bust cycles and resource price changes that could slow the provincial and City economies. For the time being however, economic commentators generally see the next decade as being one of continued economic prosperity for the province and City of Regina.
3) A 2010 Regina OCP Working Paper "Population, Employment and Economic Analysis of Regina" contains employment and population forecasts for the City from 2010 to 2035. Highlights of those forecasts include:
   a) Expectations are for an average 1,600 new jobs per annum in the City. With high participation rates and low unemployment, employment growth can be sustained only with new entrants (immigration) to the labour market. This is a significant factor that will drive Regina population growth.
   b) The paper presents population forecasts for low, medium and high growth rates and translates these forecasts into housing demand (see following table). The authors envisage future housing growth based on a medium population growth rate scenario. Based on the recent growth of Regina building permits, GPRA believes that a better predictor of Regina housing demand would be based on the paper's high growth rate scenario.

Table 1
Projected Housing Demand, City of Regina, 2010-2035

	2010f	2011f	2012f	2013f	2014f	2015f	2016f
High Growth	1,623	1,798	1,924	1,951	1,960	1,961	1,962
Medium Growth	1,277	1,405	1,514	1,549	1,549	1,415	1,222
Low Growth	1,044	1,096	1,086	830	583	564	500
	2017f	**2018f**	**2019f**	**2020f**	**2021f**	**2022f**	**2023f**
High Growth	1,962	1,962	1,945	1,936	1,919	1,911	1,894
Medium Growth	1,222	1,213	1,131	1,122	1,105	1,088	1,079
Low Growth	500	500	500	500	500	500	500
	2024f	**2025f**	**2026f**	**2027f**	**2028f**	**2029f**	**2030f**
High Growth	1,878	1,870	1,852	1,836	1,828	1,812	1,804
Medium Growth	1,070	1,044	1,028	1,019	1,002	994	970
Low Growth	500	500	500	500	500	500	500
	2031f	**2032f**	**2033f**	**2034f**	**2035f**		
High Growth	1,789	1,782	1,774	1,767	1,759		
Medium Growth	962	945	929	912	896		
Low Growth	500	500	500	500	500		

Source: Regina OCP Working Paper “Population, Employment and Economic Analysis of Regina, 2010

4) Regina building permits over the past several years illustrate the impact of provincial and City economic growth on the Regina Housing market. They also illustrate the trend towards multiple family housing as the market attempts to address increasing problems with housing affordability.

Table 2
Residential Building Permits (# Units)
Regina, 2005 to 2012

Number of Building Permits	2005	2006	2007	2008	2009	2010	2011	2012
Single Family	468	636	689	640	444	590	794	1135
Multiple Family	592	334	455	498	523	524	928	1585
	1060	970	1144	1138	967	1114	1722	2720

% of Building Permits	2005	2006	2007	2008	2009	2010	2011	2012
Single Family	44.15%	65.57%	60.23%	56.24%	45.92%	52.96%	46.11%	41.73%
Multiple Family	55.85%	34.43%	39.77%	43.76%	54.08%	47.04%	53.89%	58.27%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: City of Regina

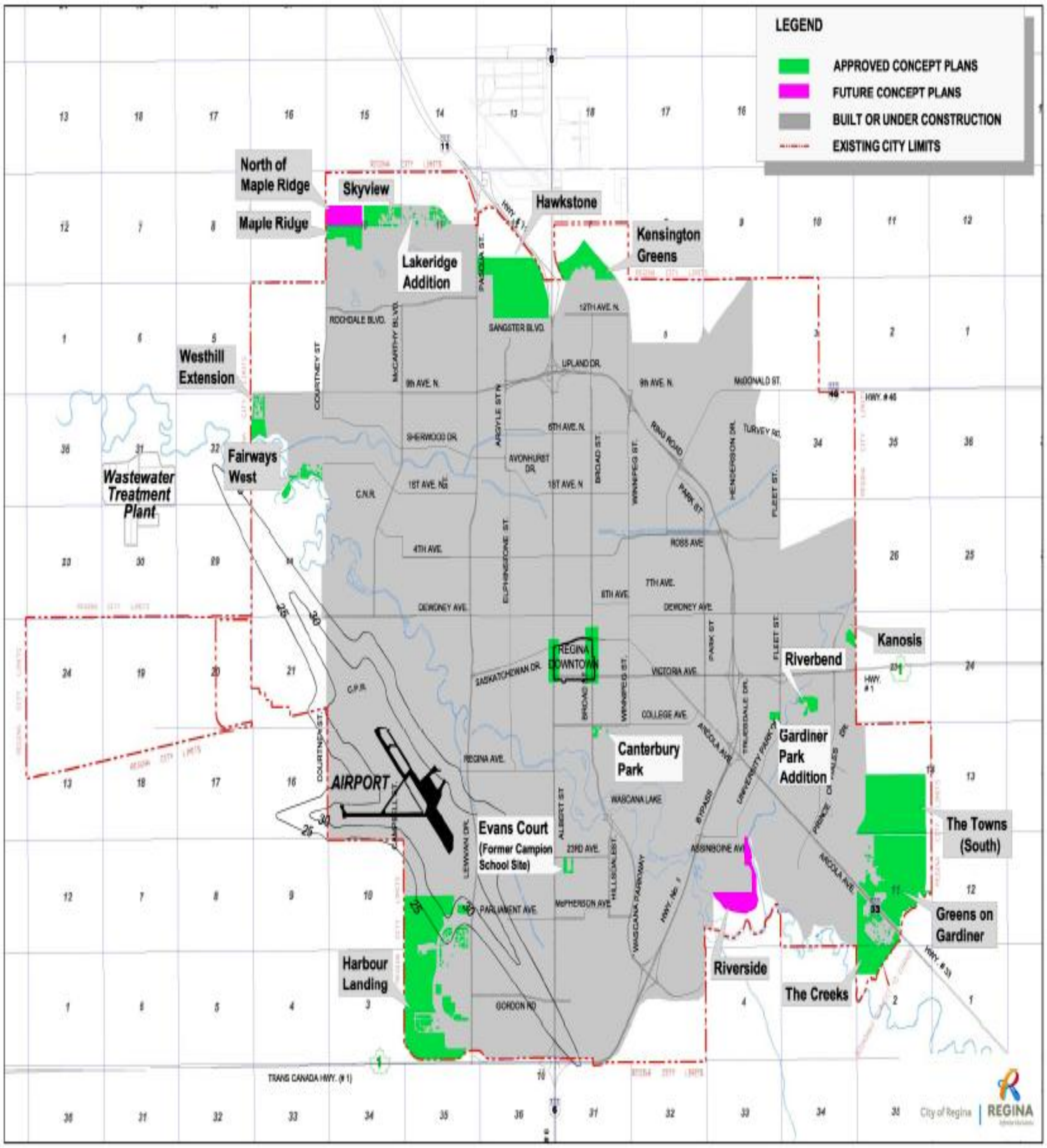
5) The prospects for continued strong housing demand has the following implications for the Regina housing market in general and the development of the City’s southeast lands in particular.

   a) Demand for housing is greater than the supply of new housing. This will accelerate the absorption of the City’s current growth stage development lands (which can accommodate current absorption of development lands for only 5-7 years 5-6 years) and increase the need for and potential to develop the southeast lands.

b) The pressure of demand on supply of development lands is causing dramatic land price increases. Over the past 2 years the price of single family lots has increased at 12% per annum and multiple family lands at over 20% per annum. The increasing price of development lands is a major factor in decreasing housing affordability in Regina. It is also responsible for the increase in the proportion of multiple family housing starts and increased density of development being observed in the market for both single and multiple family housing

6) Responding to increased housing demand, the City has approved and is considering new residential concept plans throughout the City's peripheral areas.

Figure 7 – Approved and Future Concept Plans, June 2012



7) Furthermore, the current OCP update process is considering three scenarios to accommodate housing demand and development.

Figure 8 - Future Growth is Dispersed

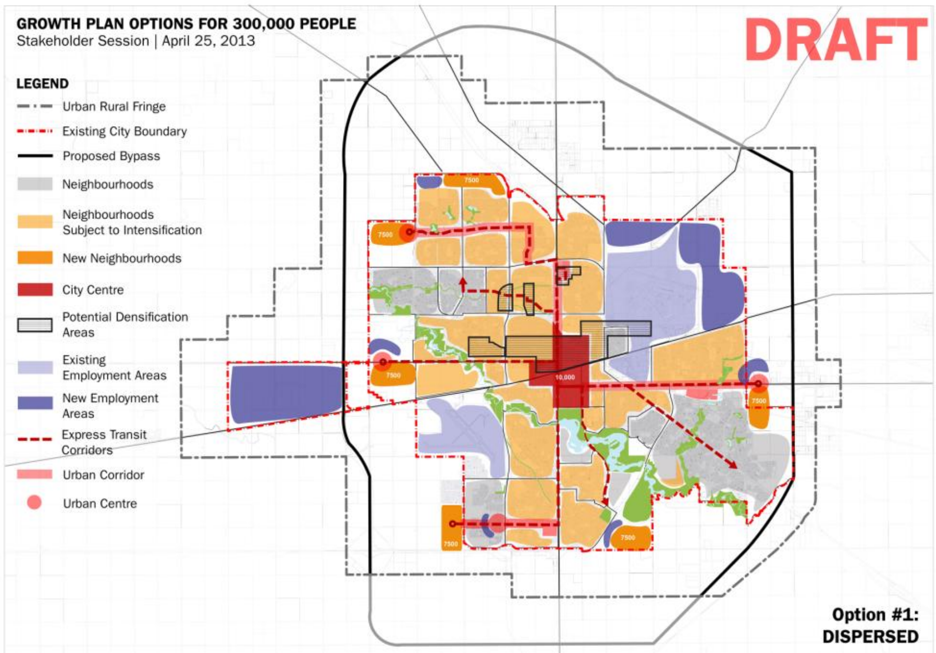


Figure 9 - Future Growth is Centered on the Northwest and Southeast

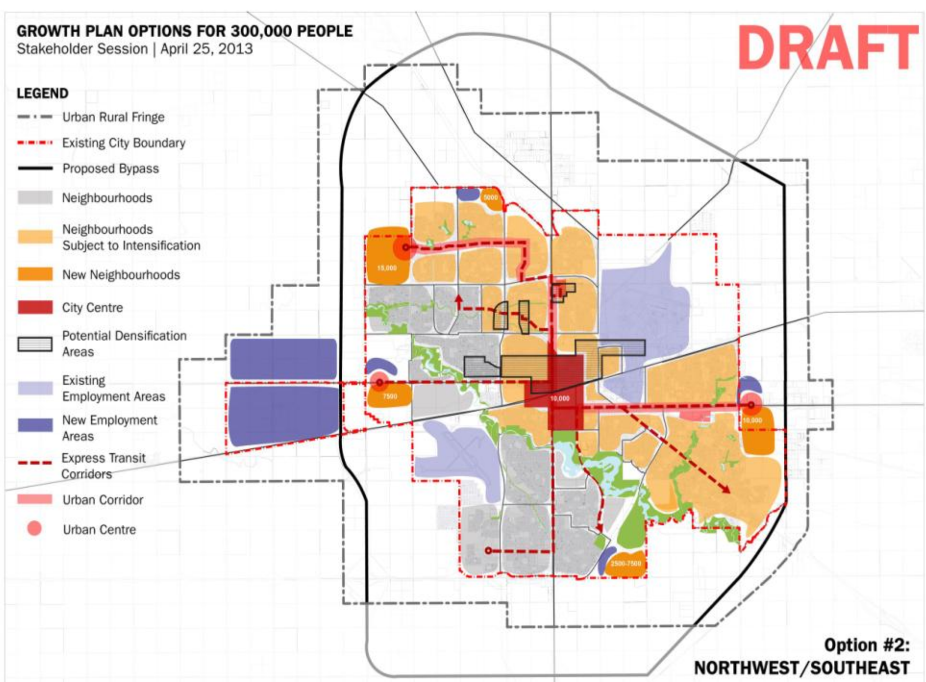
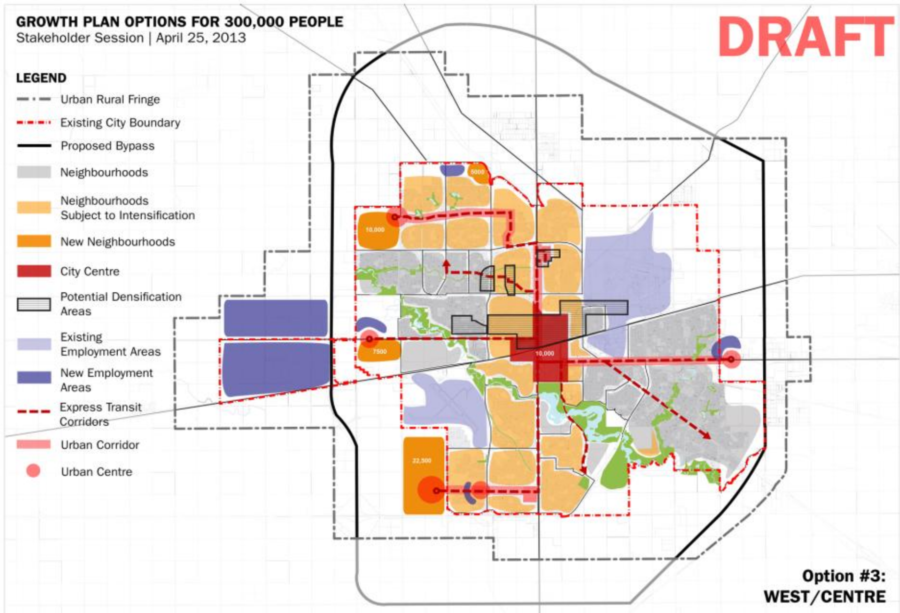


Figure 10 – Future Growth Occurs in Western and Central Areas



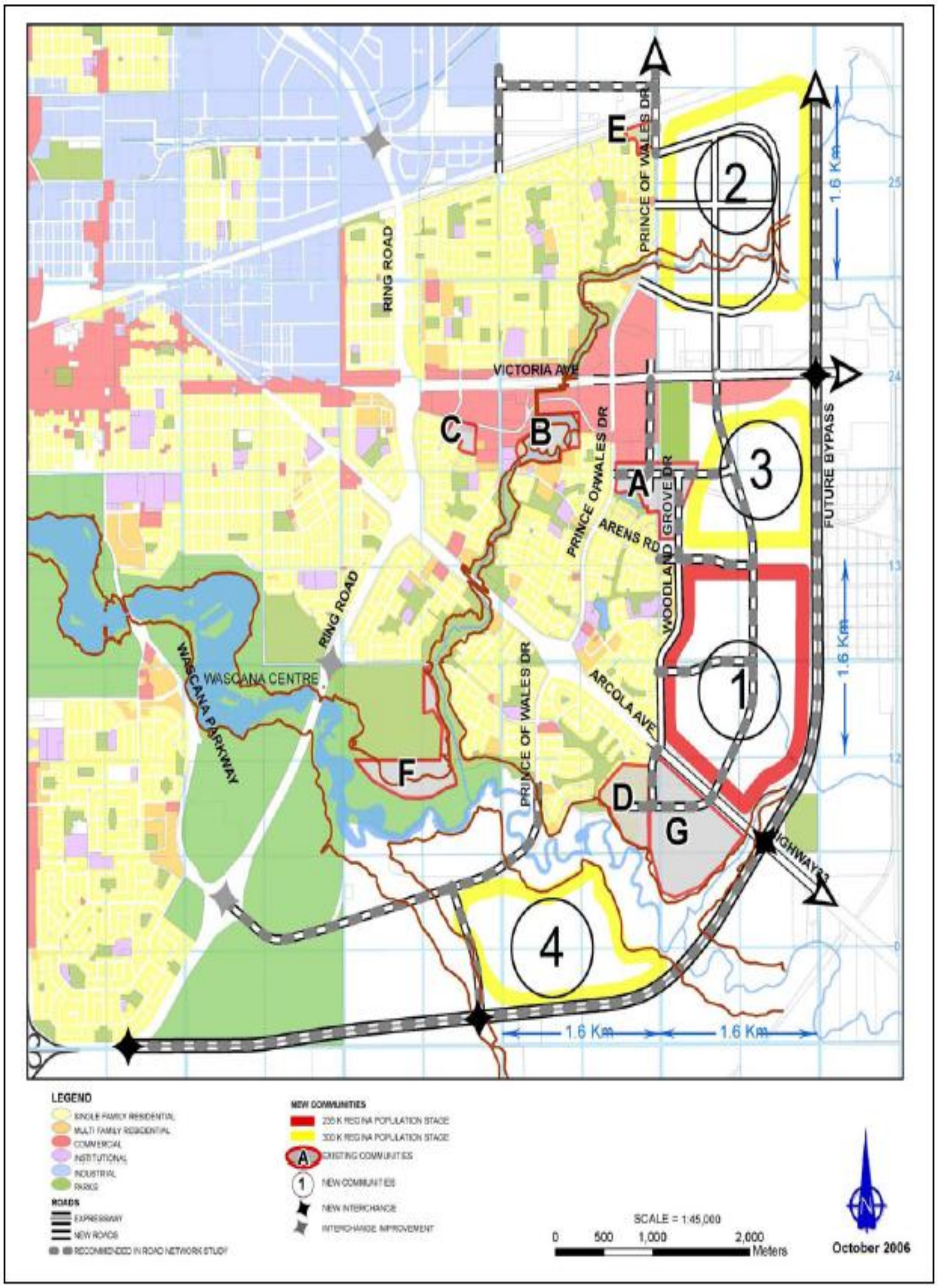
8) No matter what growth plan is decided upon, there is a large role for the southeast lands in accommodating future housing demand. In this regards, developers have stated to GPRA that:

   a) The southeast sector is a popular and logical area to accommodate a significant amount of housing demand.

   b) The limited 5-7 year supply of housing development lands will drive developers and housing consumers to the southeast sector. Dundee's potential acquisition of 300+ acres in the southeast is a dramatic indicator of interest in the southeast sector and no doubt will lead a shift in the market to the southeast. Developers have commented that the southeast sector has the potential to attract 50%+ of future housing demand over the next decade.

9) The City's Southeast Sector Plan (Figure 11) envisages residential development firstly involving infilling in areas A through G, followed by communities 1 to 4 in sequential order. The City's lands are in community 1. Area G, adjacent and to the south of the City lands, has a limited supply of 3-5 years remaining (most likely to be at the lower end of this range given the increased housing demand being experienced throughout the market.). Accordingly, there is a strong case for planning for development of the City lands to begin immediately to enable the first lands to come onto the market within 3-4 years.

Figure 11 – The Southeast Sector Plan



11) Based on discussions with Regina developers, GPRA has prepared an estimate of housing capacity for the southeast lands, as illustrated in Table 3.

Table 3
Potential Density of Development for South East Lands

1.0 Use of the Lands	% Gross	Phase 1 Southern Area	Phase 2 Northern Area	Total Area Combined Phases
Gross Acres		128.49 acres	120.09 acres	248.58 acres
Adjust to Net Developable	% Gross			
Less roads	20%	25.70 acres	24.02 acres	49.72 acres
Less park lands	6%	7.71 acres	7.21 acres	14.91 acres
Less storm water mgmt.	4%	5.14 acres	4.80 acres	9.94 acres
Less institutional		39.60 acres	0.00 acres	39.60 acres
Total adjustments		78.15 acres	36.03 acres	114.17 acres
Equals Developable		50.34 acres	84.06 acres	134.41 acres

2.0 Density of Residential Development

	%	density	Phase 1 Southern Area	Phase 2 Northern Area	Total Area Combined Phases
% Single Family	40%	10	201 units	336 units	538 units
% Townhouse	45%	18	408 units	681 units	1,089 units
% Apartment	15%	50	378 units	630 units	1,008 units
total			987 units	1,648 units	2,634 units

Source: GPRA, November 2012 Land Charrette and discussions with major Regina developers.

12) Based on discussions with Regina developers and considering housing demand forecasts and the supply of developable lands remaining throughout the City, GPRA sees development of the southeast lands occurring as follows:

a) There is a need to commence planning for the development of the lands now in order to bring serviced land onto the market by 2016 at the latest.

b) Thereafter, the speed of development will depend upon which residential growth strategy the City pursues and the competitiveness of Dundee and other southeast sector developers housing.

c) GPRA has assumed the following timing of planning, servicing and development for the City's southeast lands in the following Section 5.0.

- Planning and approvals: 2013 and 2014
- Servicing starts: 2015
- First development on the market in 2016
- Development and sales would take approximately a decade to complete.

5.0 LAND VALUE AND ECONOMICS OF DEVELOPMENT

5.1 INTRODUCTION

Based on the site's development plan presented in Table 2, Potential Density of Development for South East Lands, GPRA has prepared a number of land valuation and financial analyses.

1) Estimate of the current market value of the City's lands, in total and separately for Phase 1 and 2.
2) Estimate of revenues that the City would have made from development of the site had they developed it with SHC based on the agreements governing the SHC and City partnership.
3) Estimate of revenues the City would generate from development by hiring a development manager and developing it on its own.
4) Estimate of revenues the City would generate from development by pursuing a joint venture with a private sector developer.

5.2 CURRENT VALUE OF THE LANDS

GPRA has estimated the value of the lands by utilizing a discounted cash flow analysis that demonstrates what a developer could reasonably afford to pay to acquire, service and sell serviced lands as per the site development plan of Table 2, Potential Density of Development for South East Lands. Refer to Appendix A, Current Market Value Estimate of Total City lands (238 acres).

1) Financial analyses are current dollar analyses, i.e. they account for the inflation of revenues and servicing costs.
2) Timing:
   a) 2013-2014: planning and approvals
   b) 2015-2016: initial servicing
   c) 2016: land sales begin. Phase 1 lands sold by 2019 and Phase 2 lands by 2024.
3) Servicing costs:
   a) Total on site servicing costs = $46 million. Costs incurred on pro-rata basis based on servicing to accommodate the above sales program.
   b) Servicing agreement charges are $26.155 million and are incurred at the start of Phase 1 development (2015) and Phase 2 development (2019).
   c) Servicing costs increase at 5% per annum.
4) Land sales prices:
   a) Base 2013 prices are:
   b) Single family lots: $100,000
   c) Serviced townhouse and apartment lands: $850,000 per acre
   d) School lands: $800,000 per acre

   Thereafter land sales prices increase at either 5% or 10% per annum (two land valuation scenarios are presented). Generally the relationship between home sales prices and land prices are such that land values can rise at two to two and a half times the price of home price increases. Hence a 10% annual increase in land sales prices (being realized in the current market environment) is driven by a 4% to 5% annual increase in home sales prices.
5) The current market value of the lands is estimated based on developers requiring a 20% internal rate of return (IRR) on project costs.

7) GPRA estimates the market value of the City's southeast lands for two scenarios (refer to Table 4, Value of Total, Phase 1 and Phase 2 lands):
   a) Scenario A, land values increasing at 5% per annum: total land value = $12,180,000 or $49,000 per acre. GPRA views this as an unrealistic value for the lands as current market transactions of similarly sized parcels are now occurring at over $100,000 an acre.
   b) Scenario B, land values increasing at 10% per annum: approximately $29,000,000 or $116,000 per acre. GPRA views this as a more reliable indicator of the value of the value of the City's southeast lands.

   Note that only Scenario B is presented in Appendix A.

   Market sales evidence in northwest (Dundee's northwest land acquisition from the City of Regina) and southeast Regina indicates that underlying land value for comparable sized parcels as the City's southeast lands (potential Dundee land acquisitions) is in the order of $120,000 per acre.
8) Separating total value into the value of Phase 1 vs. Phase 2 lands has been accomplished by estimating the value of the Phase 1 lands. Refer to Appendix B, Current Market Value Estimate of City's Phase 1 Lands (Scenario B, land escalation at 10% per annum) and subtracting this from the value of total lands to estimate the value of the remaining Phase 2 lands.

Table 4

Value of Total, Phase 1 and Phase 2 Lands

	Gross	Total Land Value, Varying Annual Price Escalation		Value/acre, Varying Annual Price Escalation	
	Acres	5% Annual Escalation	10% Annual Escalation	5% Annual Escalation	10% Annual Escalation
Total City Lands	248.58	12,180,420	28,959,570	49,000	116,500
Value of Phase 1 Lands	128.49	8,274,756	15,984,156	64,400	124,400
Value of Phase 2 Lands	120.09	3,905,664	12,975,414	32,523	108,047

5.3 WHAT IF THE CITY HAD DEVELOPED THE LANDS WITH SHC

The City is interested in what it could have earned from proceeding with the development of the lands with SHC, based on the agreements governing such a partnership. The financial analysis of this land development scenario is presented in Appendix C, What if the City Had Developed the Lands with SHC (Scenario B with 10% land escalation).

1) Underlying assumptions
   a) SHC and the City fund servicing costs on the basis of SHC at 95% and the City at 5%.
   b) SHC and the City split development revenues on the basis of SHC at 25% and the City at 75%.
   c) SHC will be paid an administration fee equal to 5% of gross sales revenue.
   d) All other assumptions regarding timing, servicing costs, land sales prices are as stated above in Section 5.2, Current Market Value of the Lands.
2) Based on the financial analyses of Appendix C, GPRA estimates the net revenues that the City would realize had it pursued development with SHC would be:
   a) Scenario A, land values increasing at 5% per annum: $33 million
   b) Scenario B, land values increasing at 10% per annum: $84 million
3) GPRA views Scenario B as the better indicator of proceeds that would be realized by the City.

5.4 CITY HIRES DEVELOPMENT MANAGER AND DEVELOPS ON OWN

The first of two development strategies the City wishes to consider regarding the development of the southeast lands is hiring a development manager to manage the development of the City lands. A development manager could be an independent project development manager or an experienced Regina development company.

1) Underlying assumptions
    a) SHC and the City fund servicing costs on the basis of SHC at 95% and the City at 5%.
    b) SHC and the City split development revenues on the basis of SHC at 25% and the City at 75%.
    c) SHC will be paid an administration fee equal to 5% of gross sales revenue.
    d) All other assumptions regarding timing, servicing costs, land sales prices are as stated above in Section 5.2, Current Market Value of the Lands.
2) Based on the financial analyses of Appendix D (for Scenario B with 10% annual land value escalation), City Hires Development Manager and Develops on its Own (10% annual land escalation), GPRA estimates the net revenues the City could earn from pursuing this strategy to develop its lands would be:
    a) <u>Scenario A, land values increasing at 5% per annum:</u> $64.2 million
    b) <u>Scenario B, land values increasing at 10% per annum:</u> $139 million
3) GPRA views Scenario B as the better indicator of proceeds that would be realized by the City.

5.5 CITY PURSUES JOINT VENTURE DEVELOPMENT

The first of two development strategies the City wishes to consider regarding the development of the southeast lands is hiring a development manager to manage the development of the City lands. A development manager could be an independent project development manager or an experienced Regina development company.

1) Regarding joint venture development:
    a) The City will not permit the lands to be used as security for joint venture partner infrastructure loans.
    b) In a joint venture development, the City's preferred joint venture relationship with its developer partner would be to:
        - Sell its land to a joint venture development corporation at the property's current market value.
        - Pursue a 50% 50% partnership where the City sold its lands at current market value to a joint venture corporation, contributed 50% of servicing costs and shared net revenues on a 50% 50% basis.

    Given that the lands cannot be used by the City's joint venture partner to finance its share of servicing costs, Regina developers are not likely to view this arrangement favourably. The City's restrictions on the lands not being available as security for partner loans would limit candidate partners to those who either have sufficiently large amounts of equity to fund servicing costs or were able to secure servicing loans with other assets or their covenants. As a consequence, most developers, regardless of size, will argue the case for their being entitled to more than 50% of project cash flow.
2) Underlying Assumptions

a) GPRA's financial analysis of a base 50%/50% joint venture development are contained in Appendix E, City Pursues Joint Venture Development (Scenario B with 10% annual land value escalation).

b) The City sells its lands to the developer partner at current market value or $29 million.

c) The City and the developer partner fund servicing costs on a 50%/50% basis (City interest costs at 4.5% and developer partner interest costs at 6%).

d) The developer partner is paid a project management fee of 2.5% of project costs.

e) Because the developer partner is not able to use the land as security to a loan to pay for his share of servicing costs, it is assumed he would either pay for these costs with equity or make a corporate loan to finance his land acquisition plus his share of servicing costs (similar to the loan the City would make to itself to pay for its share of servicing costs).

f) All other assumptions regarding timing, servicing costs, land sales prices are as stated above in Section 5.2, Current Market Value of the Lands.

3) Based on the financial analyses of Appendix E, City Pursues Joint Venture Development, GPRA estimates the net revenues the City could earn from pursuing this 50%/50% joint venture development strategy would be:

a) <u>Scenario A, land values increasing at 5% per annum:</u> $29.9 million

b) <u>Scenario B, land values increasing at 10% per annum:</u> $53.6 million

c) GPRA views Scenario B as the better indicator of proceeds that would be realized by the City.

4) GPRA has also examined what the City would realize from alternate joint venture arrangements with the developer partner having a higher share of the joint venture.

a) For Variation #1, developer at 60%, City at 40%:

- <u>Scenario A, land values increasing at 5% per annum:</u> $24.7 million
- <u>Scenario B, land values increasing at 10% per annum:</u> $44.4 million

b) For Variation #2, developer at 75%, City at 25%:

- <u>Scenario A, land values increasing at 5% per annum:</u> $18.9 million
- <u>Scenario B, land values increasing at 10% per annum:</u> $27.7 million

GPRA views Scenario B as the better indicator of proceeds that would be realized by the City.

Table 5
City Net $ Proceeds from Pursuing Alternate Development Strategies

	$ Procceeds, Varying Annual Land Price Escalation		
	5% Escalation	10% Escalation	Comments
Current value of lands	12,180,420	28,959,570	Hypothetical, as Sask Housing would exercise their option to buy back and sell lands at this price.
Procees If City Pursued Partnership With SHC as Per Former Agreements	33,084,169	83,981,837	Least amount of risk for City of Regina.
Development Option #1: City Hires Development Manager	64,158,495	139,013,278	Maximum risk for City of Regina.
Development Option #2: City Pursues Joint Venture(1)			
(#2a) Cash flow split 50%/50%	29,910,281	53,636,217	City receives market value for its lands plus 50% of cash flow. But developers are unlikely to consider an equal division of cash flow.
(#2b) Cash flow split 60% to developer and 40% to City	24,694,470	44,369,464	Illustrates improved situation for developers wanting to realize more than 50% of cash flow.
(#2c) Cash flow split 75% to developer and 25% to City	18,871,754	27,694,659	Illustrates higher % of cash flow for developers.

Note (1): City buys land from SHC for market value ($29M) and sells to Joint Venture for market value ($29M, therefore net land cost to City = $0.
Source: G.P. Rollo & Associates Ltd.

5.6 Risk Analysis

In considering the merits of hiring a development manager versus pursuing joint venture development, the City is evaluating the relationship between financial reward and risks.

1) Financial rewards: the City realizes maximum revenue by hiring a development manager, not by pursuing a joint venture. GPRA believes that the City should be able to hire a development manager with sufficient development expertise to dispel the argument that it needs to bring private sector experience to the table through a joint venture. The City could even hire one of the City's larger development companies as a project manager, although that comes with some risks attached – larger developers could have many developments on the market at the same time and the City could be concerned that the developer is in a conflict position with respect to protecting the City's interests in developing the southeast lands.
2) Risks: there are a number of risks associated with developing the City lands. These include:
    a) Site condition risks: could there be any environment, soils or other physical risks in developing the lands that are not yet unknown? GPRA has no information on which to assess the extent or magnitude of site condition risks.
    b) Market risks: what is the danger that changing or reversing economic and residential market trends could occur and adversely impact the City's investment in the lands and diminish expected profit? At the present time, GPRA sees little market risk for the next several years. However, there is an unlikely possibility that world economic conditions could face a downturn that would adversely impact the Saskatchewan economy; Regina employment, population growth and the demand for housing. However, this risk can be mitigated simply by phasing development to meet changing market conditions.
    c) Management risks: private developers argue that they, not the City, have the experience to make the development of the southeast lands successful. They argue that a joint venture arrangement where the developer has a mandate to make timely decisions under general decision making guidelines acceptable to the City are the key to ensuring project success. While this is true, GPRA believes the same relationship can be realized by hiring an experienced development manager.
    d) Financial risks: the City is definitely at much more financial risk by hiring a development manager than by pursuing joint venture development. GPRA estimates maximum financial exposure at any one point in time would be close to $50 million in the early stage of

development. However, in the absence of a downturn on the economy and housing market (very unlikely to occur over the next decade), the market will be characterized by strong demand and rising land sales prices which will quickly pay off this debt and ensure the City has much less on-going financial risk.

5.7 RECOMMENDED DEVELOPMENT STRATEGY

In light of the significant difference in sales revenue that the City can generate from hiring a development manager versus pursuing joint venture development, GPRA recommends that the City proceed with development of the southeast lands by hiring a development manager.

Table 6

City Net $ Proceeds from Pursuing Alternate Development Strategies

	5% Escalation	10% Escalation
City hires development manager	64,158,495	139,013,278
City pursues JV, City realizes 50% of development profit	29,910,281	53,636,217
City pursues JV, City realizes 40% of development profit	24,694,470	44,369,464
City pursues JV, City realizes 25% of development profit	18,871,754	27,694,659

Source: G.P. Rollo & Associates Ltd.

A development manager can be an independent project manager for hire one of the City's experienced real estate development companies. However, care must be taken in hiring a large development company to ensure that potential conflicts of interest in representing the City's interests understood and minimized. Towards that end, GPRA recommends that the City strive to hire an independent development manager with minimal potential conflict of interest with the City's interests.

6.0 CONCLUSIONS

GPRA has been retained by the City of Regina to prepare this Development Opportunity Study to assist the City in assessing the development potential of its lands and the merits of developing its 248.5 acre southeast sector lands by hiring a development manager versus pursuing joint venture development.

Based upon our analyses, GPRA has concluded:

1) The excellent location of the City's lands and a combination of strong economic environment which will drive employment, population and housing growth, result in the lands having excellent development potential.
2) Considering that the supply of current stage development lands is sufficient to accommodate residential growth for only the next 5-7 years (less for developable lands in Area G south of the City's lands), there is an opportunity and need for the City to proceed now with the planning and development of its lands. Assuming that was to occur, GPRA sees the timing of planning, servicing and sale of lands as follows:
    d) <u>2013-2014:</u> planning and approvals
    e) <u>2015-2016:</u> initial servicing
    f) <u>2016+:</u> land sales begin in 2016. Phase 1 lands sold by 2019 and Phase 2 lands by 2024.
3) GPRA has estimates the market value of the City's lands for two scenarios:
    a) <u>Scenario A, land values increasing at 5% per annum:</u> total land value = $12,180,000 or $49,000 per acre. GPRA views this as an unrealistic value for the lands as current market transactions of similarly sized parcels are occurring at over $100,000 an acre.
    b) <u>Scenario B, land values increasing at 10% per annum:</u> approximately $29,000,000 or $116,000 per acre. GPRA views this as a more reliable indicator of the value of the value of the City's southeast lands.

    Market sales evidence in northwest (Dundee's northwest land acquisition from the City of Regina) and southeast Regina indicates that underlying land value for comparable sized parcels as the City's southeast lands (potential Dundee land acquisitions) is in the order of $120,000 per acre.
4) GPRA estimates the revenue the City could realize by developing the lands would be higher by hiring a development manager than pursuing a joint venture development with a private sector housing developer.

Table 7

City Net $ Proceeds from Pursuing Alternate Development Strategies

	$ Procceeds, Varying Annual Land Price Escalation		Comments
	5% Escalation	10% Escalation	
Development Option #1: City Hires Development Manager	64,158,495	139,013,278	Maximum risk for City of Regina. Maximum revenue for the City.
Development Option #2: City Pursues Joint Venture(1)			
(#2a) Cash flow split 50%/50%	29,910,281	53,636,217	City receives market value for its lands plus 50% of net development revenue.
(#2b) Cash flow split 60% to developer and 40% to City	24,694,470	44,369,464	Illustrates improved situation for developers wanting to realize more than 50% of cash flow.
(#2c) Cash flow split 75% to developer and 25% to City	18,871,754	27,694,659	Illustrates higher % of cash flow for developers.

Note (1): City buys land from SHC for market value ($29M) and sells to Joint Venture for market value ($29M), therefore net land cost to City = $0.

Source: G.P. Rollo & Associates Ltd.

5) While the City would take on higher risks from hiring a development manager than pursuing a joint venture, GPRA believes that these risks can be managed equally well with a development manager and a joint venture partner. Furthermore, GPRA believes that the City should be able to hire a development manager with similar experience to that of the City's housing development companies. The more independent the development manager would be the greater the potential for the City to control risk from manager conflict of interest with other development he is undertaking.
6) Accordingly, GPRA recommends that the City pursue development of its southeast sector lands by hiring a development manager rather than pursuing joint venture development.

APPENDICES

APPENDIX A: CURRENT MARKET VALUE ESTIMATE OF TOTAL CITY LANDS (248 ACRES)

City of Regina South-East Lands
Product Mix, Sales and Revenue Schedule

1.0 TIMING ASSUMPTIONS		**Phase 1**	**Phase 2**			approvals+design	servicing	sales	**PHASE 1**
Resolve Planning Issues		2013+2014	n/a						
Servicing infrastructure		2015+2016	2019+						
Land sales		2016 to 2019	2020 to 2024						
Other									
Total - residential units									

		Phase 1 South	**Phase 2 North**			**Constructed by Year**			
2.0 PRODUCT MIX (units)		**# Units**	**# Units**	**Total Units**	**Check**	**2014**	**2015**	**2016**	**2017**
Residential-single family lots		201	336	538	538	0	0	50	50
Residential-townhouse		408	681	1089	1,089	0	0	102	102
Apartment		378	630	1008	1,008	0	0	94	94
Other		987	1648	2634	0	0	0	0.0	0
Total - residential units		37.46%	62.54%		2,634	0	0	247	247
Cumulative Units						0	0	247	493

		Phase 1 South	**Phase 2 North**						
3.0 PRODUCT MIX (acres)	**Units/Acre**	**# Acres**	**# Acres**	**Total Acres**	**Check**	**2014**	**2015**	**2016**	**2017**
Residential-single family lots	10	20.137	33.625	53.76	53.76	0.00	0.00	5.034	5.034
Residential-townhouse	18	22.654	37.828	60.48	60.48	0.00	0.00	5.664	5.664
Apartment	50	7.551	12.609	20.16	20.16	0.00	0.00	1.888	1.888
Institutional (school)		39.600	0.000	39.60	39.60	0.00	0.00	0.000	39.600
Total development acres		89.943	84.063	174.01	174.01	0.00	0.00	12.59	52.19
Cumulative development acres		51.69%	48.31%			0.00	0.00	12.59	64.77
								13.99%	**58.02%**
						100.00%	100.00%	92.77%	62.78%
						approvals+design	servicing	sales	**PHASE 1**

4.0 SALES SCHEDULE

4.1 Sales Schedule				**check**		**2014**	**2015**	**2016**	**2017**
Residential-single family lots				537.62	lots	0	0	50	50
Residential-townhouse acres				60.48	acres	0	0	6	6
Apartment-acres				20.16	acres	0	0	2	2
Institutional (school)				39.60	acres	0	0	0	40
Total						0	0	58	97
Cumulative Single Family Lots						0	0	50	101
Cumulative Townhouse Acres						0	0	6	11
Cumulative Apartment Acres						0	0	2	4

						2014	**2015**	**2016**	**2017**
4.2 Annual Price Escalation						**10.00%**	**10.00%**	**10.00%**	**10.00%**
						1.100	1.210	1.331	1.464

				Base Unit					
4.3 Sales Revenue (land sales)			Density/Acre	**Price (2013**	**Commission%**	**2014**	**2015**	**2016**	**2017**
Residential-single family lots		108,328,634	10	100,000	**2.5%**	0	0	6,533,137	7,186,451
Residential-townhouse acres		103,589,256	18	850,000	**2.5%**	0	0	6,247,312	6,872,043
Apartment acres		34,529,752	50	850,000	**2.5%**	0	0	2,082,437	2,290,681
Institutional		46,382,688		800,000	**0.0%**	0	0	0	46,382,688
Total		292,830,330			292,830,330	0	0	14,862,887	62,731,863

1.0 TIMING ASSUMPTIONS	sales	sales					
Resolve Planning Issues		servicing	sales	**PHASE 2**	sales	sales	ales
Servicing infrastructure							
Land sales							
Other							
Total - residential units							
2.0 PRODUCT MIX (units)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Residential-single family lots	50	50	0	0	0	0	0
Residential-townhouse	102	102	0	0	0	0	0
Apartment	94	94	0	0	0	0	0
Other	0.0	0	0	0	0	0	0
Total - residential units	247	247	0	0	0	0	0
Cumulative Units	740	987	987	987	987	987	987
3.0 PRODUCT MIX (acres)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Residential-single family lots	5.034	5.034	0.00	0.00	0.00	0.00	0.00
Residential-townhouse	5.664	5.664	0.00	0.00	0.00	0.00	0.00
Apartment	1.888	1.888	0.00	0.00	0.00	0.00	0.00
Institutional (school)	0.000	0.000	0.00	0.00	0.00	0.00	0.00
Total development acres	12.59	12.59	0.00	0.00	0.00	0.00	0.00
Cumulative development acres	77.36	89.94	89.94	89.94	89.94	89.94	89.94
	13.99%	**13.99%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
	55.54%	48.31%	48.31%	48.31%	48.31%	48.31%	48.31%
	sales	sales					
4.0 SALES SCHEDULE		servicing	sales	**PHASE 2**	sales	sales	ales
4.1 Sales Schedule	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Residential-single family lots	50	50	0	0	0	0	0
Residential-townhouse acres	6	6	0	0	0	0	0
Apartment-acres	2	2	0	0	0	0	0
Institutional (school)	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Cumulative Single Family Lots	151	201	201	201	201	201	201
Cumulative Townhouse Acres	17	23	23	23	23	23	23
Cumulative Apartment Acres	6	8	8	8	8	8	8
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
4.2 Annual Price Escalation	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**
	1.611	1.772	1.949	2.144	2.358	2.594	2.853
4.3 Sales Revenue (land sales)	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Residential-single family lots	7,905,096	8,695,605	0	0	0	0	0
Residential-townhouse acres	7,559,248	8,315,173	0	0	0	0	0
Apartment acres	2,519,749	2,771,724	0	0	0	0	0
Institutional	0	0	0	0	0	0	0
Total	17,984,093	19,782,502	0	0	0	0	0

1.0 TIMING ASSUMPTIONS	sales	sales					
Resolve Planning Issues		servicing	sales	PHASE 2	sales	sales	sales
Servicing infrastructure							
Land sales							
Other							
Total - residential units							

2.0 PRODUCT MIX (units)	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	50	50	67	67	67	67	67
Residential-townhouse	102	102	136	136	136	136	136
Apartment	94	94	126	126	126	126	126
Other	0.0	0	0	0	0	0	0
Total - residential units	247	247	330	330	330	330	330
Cumulative Units	740	987	1316	1646	1975	2305	2634

3.0 PRODUCT MIX (acres)	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	5.034	5.034	6.73	6.73	6.73	6.73	6.73
Residential-townhouse	5.664	5.664	7.57	7.57	7.57	7.57	7.57
Apartment	1.888	1.888	2.52	2.52	2.52	2.52	2.52
Institutional (school)	0.000	0.000	0.00	0.00	0.00	0.00	0.00
Total development acres	12.59	12.59	16.81	16.81	16.81	16.81	16.81
Cumulative development acres	77.36	89.94	106.76	123.57	140.38	157.19	174.01
	13.99%	**13.99%**	**20.00%**	**20.00%**	**20.00%**	**20.00%**	**20.00%**
	55.54%	48.31%	38.65%	28.99%	19.32%	9.66%	0.00%

4.0 SALES SCHEDULE	sales	sales					
		servicing	sales	PHASE 2	sales	sales	sales
4.1 Sales Schedule	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	50	50	67	67	67	67	67
Residential-townhouse acres	6	6	8	8	8	8	8
Apartment-acres	2	2	3	3	3	3	3
Institutional (school)	0	0	0	0	0	0	0
Total	58	58	77	77	77	77	77
Cumulative Single Family Lots	151	201	269	336	403	470	538
Cumulative Townhouse Acres	17	23	30	38	45	53	60
Cumulative Apartment Acres	6	8	10	13	15	18	20

	2018	2019	2020	2021	2022	2023	2024
4.2 Annual Price Escalation	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
	1.611	1.772	1.949	2.144	2.358	2.594	2.853

4.3 Sales Revenue (land sales)	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	7,905,096	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Residential-townhouse acres	7,559,248	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment acres	2,519,749	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
Institutional	0	0	0	0	0	0	0
Total	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883

City of Regina South-East Lands
Project Costs

		Increase or			approvals+design	servicing	sales	PHASE 1
5.0 PROJECT COSTS								
5.1 Servicing Costs	**Item**	**Reduction**	**Item**	**Check**	**2014**	**2015**	**2016**	**2017**
Servicing Agreement Charges	**27,339,054**	**0.00%**	27,339,054	27,339,054	**0**	**14,131,447**	**0**	**0**
On-site Servicing Cost	**46,000,000**	**0.00%**	46,000,000	47,554,429	**0**	**3,327,153**	**13,795,757**	**3,327,153**
Other	**0**	**0.00%**	0	0	**0**	**0**	**0**	**0**
Other	**0**	**0.00%**	0	0	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**5.0%**	**0.00%**	0	3,744,674	**0**	**872,930**	**689,788**	**166,358**
Contingency (in on-site servicing costs)	**0.0%**			0	**0**	**0**	**0**	**0**
Total servicing costs	73,339,054		73,339,054	78,638,158	0	18,331,529	14,485,545	3,493,510
5.2 Development (soft) Costs		0.5%			**2014**	**2015**	**2016**	**2017**
Engineering (in on-site servicing costs)			**0.00**	%	0	0	0	0
Other Consultants			**1.00**	%	0	183,315	144,855	34,935
Development Project Management			**4.50**	%	0	0	668,830	2,822,934
Legal					**100,000**	**100,000**	**100,000**	**100,000**
Research and Appraisal					**25,000**	**25,000**	**0**	**25,000**
Survey, accounting					**25,000**	**25,000**	**25,000**	**25,000**
Overhead					250,000	250,000	250,000	250,000
Property Taxes			**26.24**	tax rate	759,899	759,899	704,936	477,036
Miscellanous Development Costs			**25.00**	%	289,975	335,804	473,405	933,726
Contingency (% development costs)			**15.00**	%	217,481	251,853	355,054	700,295
Total Development Costs					1,667,355	1,930,871	2,722,081	5,368,926
					approvals+design	servicing	sales	**PHASE 1**
5.3 Total Costs					**2014**	**2015**	**2016**	**2017**
Costs Before Inflation					1,667,355	20,262,400	17,207,626	8,862,437
Inflation Adjustment			**5.00**	% per annum	1.05	1.103	1.158	1.216
Costs After Inflation		10%	87,052,543	145,800,667	1,750,723	22,339,296	19,919,978	10,772,347

	sales	sales					
5.0 PROJECT COSTS		servicing	sales	**PHASE 2**	sales	sales	sales
5.1 Servicing Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Servicing Agreement Charges	**0**	**13,207,607**	**0**	**0**	**0**	**0**	**0**
On-site Servicing Cost	**3,327,153**	**4,755,443**	**4,755,443**	**4,755,443**	**4,755,443**	**4,755,443**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**166,358**	**898,153**	**237,772**	**237,772**	**237,772**	**237,772**	**0**
Contingency (in on-site servicing costs)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total servicing costs	3,493,510	18,861,203	4,993,215	4,993,215	4,993,215	4,993,215	0

5.2 Development (soft) Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Engineering (in on-site servicing costs)	0	0	0	0	0	0	0
Other Consultants	34,935	188,612	49,932	49,932	49,932	49,932	0
Development Project Management	809,284	890,213	1,308,104	1,438,914	1,582,806	1,741,086	1,915,195
Legal	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Research and Appraisal	**0**	**25,000**	**0**	**25,000**	**25,000**	**25,000**	**25,000**
Survey, accounting	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Overhead	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Property Taxes	422,073	367,110	293,688	220,266	146,844	73,422	(0)
Miscellanous Development Costs	410,323	461,484	506,681	527,278	544,895	566,110	578,799
Contingency (% development costs)	307,742	346,113	380,011	395,459	408,672	424,583	434,099
Total Development Costs	2,359,358	2,653,531	2,913,416	3,031,849	3,133,149	3,255,133	3,328,092

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	sales
5.3 Total Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Costs Before Inflation	5,852,868	21,514,734	7,906,631	8,025,064	8,126,364	8,248,348	3,328,092
Inflation Adjustment	1.276	1.340	1.407	1.477	1.551	1.629	1.710
Costs After Inflation	7,469,908	28,831,802	11,125,424	11,856,675	12,606,658	13,435,690	5,692,167

City of Regina South-East Lands
Cash Flow and Yields/Profit

					approvals+design	servicing	sales	PHASE 1
6.0 CASH FLOW				Beginning	End of			
6.1 Sources of Funding and Revenues				2014	2014	2015	2016	2017
Single family lots				0	0	0	6,533,137	7,186,451
Townhouse lands				0	0	0	6,247,312	6,872,043
Apartment Lands				0	0	0	2,082,437	2,290,681
School Lands				0	0	0	0	46,382,688
Other				0	0	0	0	0
Equity - Land @ %	50.00%	Costs	Equity	14,729,785	0	0	0	0
Equity - Construction @	25.00%	145,800,667	36,450,167	0	1,750,723	22,339,296	12,360,148	0
Total			36,450,167	14,729,785	1,750,723	22,339,296	27,223,034	62,731,863
6.2 Project Costs			per gross acre value					
6.2.1 Land acquisition cost			116,500	28,959,570				
Plus other Closing Costs				500,000				
Equals Total Land Acquisiton Costs				29,459,570	0	0	0	0
6.2.2 Construction and Development Costs		145,800,667		0	1,750,723	22,339,296	19,919,978	10,772,347
6.2.3 Total Costs				29,459,570	1,750,723	22,339,296	19,919,978	10,772,347
6.3 Cash Flow Before financing				(14,729,785)	0	0	7,303,057	51,959,516
6.4 Land and Construction Financing			Interest Rate (%)	5.00	5.00	5.00	5.00	5.00
Opening Balance				0	14,729,785	14,729,785	14,729,785	14,986,558
Plus Additional				14,729,785	0	0	7,559,830	10,772,347
Less Payments				0	0	0	7,303,057	25,758,905
Equals Closing Balance				14,729,785	14,729,785	14,729,785	14,986,558	0
Net Interest Costs				0	736,489	736,489	925,485	1,018,637
6.5 Cash Flow					approvals+design	servicing	sales	PHASE 1
Annual Cash Flow				(14,729,785)	(2,487,212)	(23,075,785)	(5,725,803)	35,954,321
Cumulative Cash Flow				(14,729,785)	(17,216,997)	(40,292,782)	(46,018,585)	(10,064,264)
Developer's Equity Investment				14,729,785	2,487,212	23,075,785	5,725,803	0
Developer's Cash Flow				0	0	0	0	35,954,321

	sales	sales					
		servicing	sales	PHASE 2	sales	sales	sales
6.0 CASH FLOW							
6.1 Sources of Funding and Revenues	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Single family lots	7,905,096	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Townhouse lands	7,559,248	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment Lands	2,519,749	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
School Lands	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Equity - Land @ %	0	0	0	0	0	0	0
Equity - Construction @	0	0	0	0	0	0	0
Total	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
6.2 Project Costs							
6.2.1 Land acquisition cost							
Plus other Closing Costs							
Equals Total Land Acquisiton Costs	0	0	0	0	0	0	0
6.2.2 Construction and Development Costs	7,469,908	28,831,802	11,125,424	11,856,675	12,606,658	13,435,690	5,692,167
6.2.3 Total Costs	7,469,908	28,831,802	11,125,424	11,856,675	12,606,658	13,435,690	5,692,167
6.3 Cash Flow Before financing	10,514,185	(9,049,300)	17,943,549	20,119,195	22,566,799	25,255,113	36,867,716
6.4 Land and Construction Financing	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Opening Balance	0	0	28,831,802	22,013,677	13,751,157	3,791,015	0
Plus Additional	7,469,908	28,831,802	11,125,424	11,856,675	12,606,658	13,435,690	5,692,167
Less Payments	7,469,908	0	17,943,549	20,119,195	22,566,799	17,226,705	5,692,167
Equals Closing Balance	0	28,831,802	22,013,677	13,751,157	3,791,015	0	0
Net Interest Costs	186,748	720,795	1,719,726	1,397,101	1,002,724	525,443	142,304
6.5 Cash Flow	sales	sales					
		servicing	sales	PHASE 2	sales	sales	sales
Annual Cash Flow	10,327,437	19,061,707	9,405,698	10,459,574	11,603,933	20,938,655	36,725,411
Cumulative Cash Flow	263,173	19,324,880	28,730,578	39,190,153	50,794,086	71,732,741	108,458,152
Developer's Equity Investment	0	0	0	0	0	0	0
Developer's Cash Flow	10,327,437	19,061,707	9,405,698	10,459,574	11,603,933	20,938,655	36,725,411

City of Regina South-East Lands
Cash Flow and Yields/Profit

7.0 PROJECT VIABILITY, DISCOUNTED CASH FLOW, ALL CASH EQUITY (unleveraged)

					approvals+design	servicing	sales	PHASE 1
				Beginning of	End of →			
7.1 Cash Flow Basis				2014	2014	2015	2016	2017
Land Sales		292,830,330		0	0	0	14,862,887	62,731,863
All Costs	25,000,000			29,459,570	1,750,723	22,339,296	19,919,978	10,772,347
Net Cash Flow				(29,459,570)	(1,750,723)	(22,339,296)	(5,057,091)	51,959,516
			Disc. Rate					
7.2 Net Present Value			**10.00%**	34,419,610				
7.3 Simple Internal Rate of Return				**20.00%**				

8.0 PROJECT VIABILITY, DISCOUNTED CASH FLOW, LEVERAGED EQUITY (equity and construction financing)

			approvals+design	servicing	sales	PHASE 1
		Beginning of	End of →			
8.1 Cash Flow		2014	2014	2015	2016	2017
Cash Throw Off		0	0	0	0	35,954,321
Equity Investment		14,729,785	2,487,212	23,075,785	5,725,803	0
Net Cash Flow		(14,729,785)	(2,487,212)	(23,075,785)	(5,725,803)	35,954,321
Cumulative Cash Flow		(14,729,785)	(17,216,997)	(40,292,782)	(46,018,585)	(10,064,264)
	Disc. Rate					
8.2 Net Present Value	**10.00%**	36,938,054				
8.3 Simple Internal Rate of Return		**24.53%**				

7.0 PROJECT VIABILITY, DISCOUNTED CASH FLO

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	sales
7.1 Cash Flow Basis	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Land Sales	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
All Costs	7,469,908	28,831,802	11,125,424	11,856,675	12,606,658	13,435,690	5,692,167
Net Cash Flow	10,514,185	(9,049,300)	17,943,549	20,119,195	22,566,799	25,255,113	36,867,716

7.2 Net Present Value

7.3 Simple Internal Rate of Return

8.0 PROJECT VIABILITY, DISCOUNTED CASH FLC

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	sales
8.1 Cash Flow	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Cash Throw Off	10,327,437	19,061,707	9,405,698	10,459,574	11,603,933	20,938,655	36,725,411
Equity Investment	0	0	0	0	0	0	0
Net Cash Flow	10,327,437	19,061,707	9,405,698	10,459,574	11,603,933	20,938,655	36,725,411
Cumulative Cash Flow	263,173	19,324,880	28,730,578	39,190,153	50,794,086	71,732,741	108,458,152

8.2 Net Present Value

8.3 Simple Internal Rate of Return

APPENDIX B: CURRENT MARKET VALUE ESTIMATE OF CITY'S PHASE 1 LANDS (128.49 ACRES)

City of Regina South-East Lands
Product Mix, Sales and Revenue Schedule

1.0 TIMING ASSUMPTIONS		Phase 1	Phase 2			approvals+design	servicing	sales	PHASE 1
Resolve Planning Issues		2013+2014	n/a						
Servicing infrastructure		2015+2016	2019+						
Land sales		2016 to 2019	2020 to 2024						
Other									
Total - residential units									

		Phase 1 South	Phase 2 North			Constructed by Year			
2.0 PRODUCT MIX (units)		# Units	# Units	Total Units	Check	2014	2015	2016	2017
Residential-single family lots		201	336	538	201	0	0	50	50
Residential-townhouse		408	681	1089	408	0	0	102	102
Apartment		378	630	1008	378	0	0	94	94
Other		987	1648	2634	0	0	0	0.0	0
Total - residential units		37.46%	62.54%		987	0	0	247	247
Cumulative Units						0	0	247	493

		Phase 1 South	Phase 2 North						
3.0 PRODUCT MIX (acres)	Units/Acre	# Acres	# Acres	Total Acres	Check	2014	2015	2016	2017
Residential-single family lots	10	20.137	33.625	53.76	20.1	0.00	0.00	5.034	5.034
Residential-townhouse	18	22.654	37.828	60.48	22.7	0.00	0.00	5.664	5.664
Apartment	50	7.551	12.609	20.16	7.6	0.00	0.00	1.888	1.888
Institutional (school)		39.600	0.000	39.60	39.6	0.00	0.00	0.000	39.600
Total development acres		89.943	84.063	174.01	89.9	0.00	0.00	12.59	52.19
Cumulative development acres		51.69%	48.31%			0.00	0.00	12.59	64.77
								13.99%	58.02%
						100.00%	100.00%	92.77%	62.78%
						approvals+design	servicing	sales	PHASE 1

4.0 SALES SCHEDULE

4.1 Sales Schedule		check		2014	2015	2016	2017
Residential-single family lots		201	lots	0	0	50	50
Residential-townhouse acres		23	acres	0	0	6	6
Apartment-acres		8	acres	0	0	2	2
Institutional (school)		40	acres	0	0	0	40
Total				0	0	0	40
Cumulative Single Family Lots				0	0	50	101
Cumulative Townhouse Acres				0	0	6	11
Cumulative Apartment Acres				0	0	2	4

	2014	2015	2016	2017
4.2 Annual Price Escalation	10.00%	10.00%	10.00%	10.00%
	1.100	1.210	1.331	1.464

			Base Unit					
4.3 Sales Revenue (land sales)		Density/Acre	Price (2013	Commission%	2014	2015	2016	2017
Residential-single family lots	30,320,289	10	100,000	2.5%	0	0	6,533,137	7,186,451
Residential-townhouse acres	28,993,776	18	850,000	2.5%	0	0	6,247,312	6,872,043
Apartment acres	9,664,592	50	850,000	2.5%	0	0	2,082,437	2,290,681
Institutional	46,382,688		800,000	0.0%	0	0	0	46,382,688
Total	115,361,345			115,361,345	0	0	14,862,887	62,731,863

City of Regina South-East Lands
Project Costs

		Increase or			approvals+design	servicing	sales	PHASE 1
5.0 PROJECT COSTS								
5.1 Servicing Costs	Item	Reduction	Item	Check	2014	2015	2016	2017
Servicing Agreement Charges	27,339,054	0.00%	27,339,054	14,131,447	0	14,131,447	0	0
On-site Servicing Cost	46,000,000	0.00%	46,000,000	23,777,215	0	3,327,153	13,795,757	3,327,153
Other	0	0.00%	0	0	0	0	0	0
Other	0	0.00%	0	0	0	0	0	0
Misc. Servicing Costs (in on-site servicing costs)	5.0%	0.00%	0	1,895,433	0	872,930	689,788	166,358
Contingency (in on-site servicing costs)	0.0%			0	0	0	0	0
Total servicing costs	73,339,054		73,339,054	39,804,095	0	18,331,529	14,485,545	3,493,510

				2014	2015	2016	2017
5.2 Development (soft) Costs	0.5%						
Engineering (in on-site servicing costs)		0.00	%	0	0	0	0
Other Consultants		1.00	%	0	183,315	144,855	34,935
Development Project Management		4.50	%	0	0	668,830	2,822,934
Legal				100,000	100,000	100,000	100,000
Finance Fee (% Project Costs)		0.5%		0	0	0	0
Research and Appraisal				25,000	25,000	0	25,000
Survey, accounting				25,000	25,000	25,000	25,000
Overhead				250,000	250,000	250,000	250,000
Property Taxes		26.24	tax rate	419,424	419,424	389,088	263,299
Miscellanous Development Costs		25.00	%	204,856	250,685	394,443	880,292
Contingency (% development costs)		15.00	%	153,642	188,014	295,832	660,219
Total Development Costs				1,177,922	1,441,438	2,268,049	5,061,679

			approvals+design	servicing	sales	PHASE 1
5.3 Total Costs			2014	2015	2016	2017
Costs Before Inflation			1,177,922	19,772,968	16,753,593	8,555,189
Inflation Adjustment	5.00	% per annum	1.05	1.103	1.158	1.216
Costs After Inflation			1,236,818	21,799,697	19,394,379	10,398,886

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	ales
5.0 PROJECT COSTS							
5.1 Servicing Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Servicing Agreement Charges	**0**	**0**	**0**	**0**	**0**	**0**	**0**
On-site Servicing Cost	**3,327,153**	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**166,358**	**0**	**0**	**0**	**0**	**0**	**0**
Contingency (in on-site servicing costs)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total servicing costs	3,493,510	0	0	0	0	0	0
5.2 Development (soft) Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Engineering (in on-site servicing costs)	0	0	0	0	0	0	0
Other Consultants	34,935	0	0	0	0	0	0
Development Project Management	809,284	890,213	0	0	0	0	0
Legal	**100,000**	**100,000**	**0**	**0**	**0**	**0**	**0**
Finance Fee (% Project Costs)	0	0	0	0	0	0	0
Research and Appraisal	**0**	**25,000**	**0**	**0**	**0**	**0**	**0**
Survey, accounting	**25,000**	**25,000**	**0**	**0**	**0**	**0**	**0**
Overhead	250,000	250,000	0	0	0	0	0
Property Taxes	232,962	202,626	0	0	0	0	0
Miscellanous Development Costs	363,045	373,210	0	0	0	0	0
Contingency (% development costs)	272,284	279,907	0	0	0	0	0
Total Development Costs	2,087,511	2,145,955	0	0	0	0	0

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	ales
5.3 Total Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Costs Before Inflation	5,581,021	2,145,955	0	0	0	0	0
Inflation Adjustment	1.276	1.340	1.407	1.477	1.551	1.629	1.710
Costs After Inflation	7,122,954	2,875,785	0	0	0	0	0

City of Regina South-East Lands
Cash Flow and Yields/Profit

					approvals+design	servicing	sales	PHASE 1
6.0 CASH FLOW				**Beginning**	**End of**			
6.1 Sources of Funding and Revenues				**2014**	**2014**	**2015**	**2016**	**2017**
Single family lots				0	0	0	6,533,137	7,186,451
Townhouse lands				0	0	0	6,247,312	6,872,043
Apartment Lands				0	0	0	2,082,437	2,290,681
School Lands				0	0	0	0	46,382,688
Other				0	0	0	0	0
Equity - Land @ %	50.00%	**Costs**	**Equity**	8,242,078	0	0	0	0
Equity - Construction @	25.00%	62,828,519	15,707,130	0	1,236,818	14,470,311	0	0
Total			15,707,130	8,242,078	1,236,818	14,470,311	8,329,750	55,545,413
6.2 Project Costs			per gross acre value					
6.2.1 Land acquisition cost		128.49	124,400	15,984,156				
Plus other Closing Costs				500,000				
Equals Total Land Acquisiton Costs				16,484,156	0	0	0	0
6.2.2 Construction and Development Costs		62,828,519		0	1,236,818	21,799,697	19,394,379	10,398,886
6.2.3 Total Costs				16,484,156	1,236,818	21,799,697	19,394,379	10,398,886
6.3 Cash Flow Before financing				(8,242,078)	0	(7,329,386)	(11,064,629)	45,146,527
6.4 Land and Construction Financing			Interest Rate (%)	5.00	5.00	5.00	5.00	5.00
Opening Balance				0	8,242,078	8,242,078	15,571,464	26,636,093
Plus Additional				8,242,078	0	7,329,386	11,064,629	0
Less Payments				0	0	0	0	26,636,093
Equals Closing Balance				8,242,078	8,242,078	15,571,464	26,636,093	0
Net Interest Costs				0	412,104	595,339	1,055,189	1,331,805
6.5 Cash Flow					approvals+design	servicing	sales	**PHASE 1**
Annual Cash Flow				(8,242,078)	(1,648,922)	(15,065,650)	13,807,698	34,763,966
Cumulative Cash Flow				(8,242,078)	(9,891,000)	(24,956,650)	(11,148,952)	23,615,014
Developer's Equity Investment				8,242,078	1,648,922	15,065,650	0	0
Developer's Cash Flow				0	0	0	13,807,698	34,763,966

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	ales
6.0 CASH FLOW							
6.1 Sources of Funding and Revenues	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Single family lots	7,905,096	8,695,605	0	0	0	0	0
Townhouse lands	7,559,248	8,315,173	0	0	0	0	0
Apartment Lands	2,519,749	2,771,724	0	0	0	0	0
School Lands	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Equity - Land @ %	0	0	0	0	0	0	0
Equity - Construction @	0	0	0	0	0	0	0
Total	10,078,997	11,086,897	0	0	0	0	0
6.2 Project Costs							
6.2.1 Land acquisition cost							
Plus other Closing Costs							
Equals Total Land Acquisiton Costs	0	0	0	0	0	0	0
6.2.2 Construction and Development Costs	7,122,954	2,875,785	0	0	0	0	0
6.2.3 Total Costs	7,122,954	2,875,785	0	0	0	0	0
6.3 Cash Flow Before financing	2,956,043	8,211,112	0	0	0	0	0
6.4 Land and Construction Financing	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
Opening Balance	0	0	0	0	0	0	0
Plus Additional	0	0	0	0	0	0	0
Less Payments	0	0	0	0	0	0	0
Equals Closing Balance	0	0	0	0	0	0	0
Net Interest Costs	0	0	0	0	0	0	0
6.5 Cash Flow	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	ales
Annual Cash Flow	17,984,093	19,782,502	0	0	0	0	0
Cumulative Cash Flow	41,599,106	61,381,609	61,381,609	61,381,609	61,381,609	61,381,609	61,381,609
Developer's Equity Investment	0	0	0	0	0	0	0
Developer's Cash Flow	17,984,093	19,782,502	0	0	0	0	0

City of Regina South-East Lands

Cash Flow and Yields/Profit

7.0 PROJECT VIABILITY, DISCOUNTED CASH FLOW, ALL CASH EQUITY (unleveraged)

				approvals+design	servicing	sales	PHASE 1
			Beginning of	**End of** →			
7.1 Cash Flow Basis			**2014**	**2014**	**2015**	**2016**	**2017**
Land Sales		115,361,345	0	0	0	14,862,887	62,731,863
All Costs	25,000,000		16,484,156	1,236,818	21,799,697	19,394,379	10,398,886
Net Cash Flow			(16,484,156)	(1,236,818)	(21,799,697)	(4,531,492)	52,332,978
		Disc. Rate					
7.2 Net Present Value		**10.00%**	13,002,050				
7.3 Simple Internal Rate of Return			**19.99%**				

8.0 PROJECT VIABILITY, DISCOUNTED CASH FLOW, LEVERAGED EQUITY (equity and construction financing)

			approvals+design	servicing	sales	PHASE 1
		Beginning of	**End of** →			
8.1 Cash Flow		**2014**	**2014**	**2015**	**2016**	**2017**
Cash Throw Off		0	0	0	13,807,698	34,763,966
Equity Investment		8,242,078	1,648,922	15,065,650	0	0
Net Cash Flow		(8,242,078)	(1,648,922)	(15,065,650)	13,807,698	34,763,966
Cumulative Cash Flow		(8,242,078)	(9,891,000)	(24,956,650)	(11,148,952)	23,615,014
	Disc. Rate					
8.2 Net Present Value	**10.00%**	34,259,549				
8.3 Simple Internal Rate of Return		**47.10%**				

7.0 PROJECT VIABILITY, DISCOUNTED CASH FLO

	sales	sales					
		servicing	sales	PHASE 2	sales	sales	ales
7.1 Cash Flow Basis	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Land Sales	17,984,093	19,782,502	0	0	0	0	0
All Costs	7,122,954	2,875,785	0	0	0	0	0
Net Cash Flow	10,861,138	16,906,717	0	0	0	0	0

7.2 Net Present Value

7.3 Simple Internal Rate of Return

8.0 PROJECT VIABILITY, DISCOUNTED CASH FLO

	sales	sales					
		servicing	sales	PHASE 2	sales	sales	ales
8.1 Cash Flow	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Cash Throw Off	17,984,093	19,782,502	0	0	0	0	0
Equity Investment	0	0	0	0	0	0	0
Net Cash Flow	17,984,093	19,782,502	0	0	0	0	0
Cumulative Cash Flow	41,599,106	61,381,609	61,381,609	61,381,609	61,381,609	61,381,609	61,381,609

8.2 Net Present Value

8.3 Simple Internal Rate of Return

9.0 DEVELOPER PROFORMA, UNDISCOUNTED 2013 $'S

Land Sales Revenue	115,361,345
Land Acquisition cost	15,984,156
Hard and Soft Costs	62,828,519
Interest Costs	3,394,436
Total Costs	82,207,111
Profit - $'s	33,154,234
Profit - % of Cost	**40.33%**

Appendix C: What if the City had Developed the Lands with SHC

OPTION #1 - CITY DEVELOPS WITH SASKATCHEWAN HOUSING

City of Regina South-East Lands
Product Mix, Sales and Revenue Schedule

1.0 TIMING ASSUMPTIONS	Phase 1	Phase 2	approvals+design	servicing	sales	PHASE 1	sales
Resolve Planning Issues	2013+2014	n/a					
Servicing infrastructure	2015+2016	2019+					
Land sales	2016 to 2019	2020 to 2024					
Other							
Total - residential units							

2.0 PRODUCT MIX (units)	Phase 1 South # Units	Phase 2 North # Units	Total Units	Check	Constructed by Year 2014	2015	2016	2017	2018
Residential-single family lots	201	336	538	538	0	0	50	50	50
Residential-townhouse	408	681	1089	1,089	0	0	102	102	102
Apartment	378	630	1008	1,008	0	0	94	94	94
Other	987	1648	2634	0	0	0	0.0	0	0.0
Total - residential units	37.46%	62.54%		2,634	0	0	247	247	247
Cumulative Units					0	0	247	493	740

3.0 PRODUCT MIX (acres)	Units/Acre	Phase 1 South # Acres	Phase 2 North # Acres	Total Acres	Check	2014	2015	2016	2017	2018
Residential-single family lots	10	20.137	33.625	53.76	53.76	0.00	0.00	5.034	5.034	5.034
Residential-townhouse	18	22.654	37.828	60.48	60.48	0.00	0.00	5.664	5.664	5.664
Apartment	50	7.551	12.609	20.16	20.16	0.00	0.00	1.888	1.888	1.888
Institutional (school)		39.600	0.000	39.60	39.60	0.00	0.00	0.000	39.600	0.000
Total development acres		89.943	84.063	174.01	174.01	0.00	0.00	12.59	52.19	12.59
Cumulative development acres		51.69%	48.31%			0.00	0.00	12.59	64.77	77.36
								13.99%	58.02%	13.99%
						100.00%	100.00%	92.77%	62.78%	55.54%
						approvals+design	servicing	sales	PHASE 1	sales

4.0 SALES SCHEDULE

4.1 Sales Schedule	check		2014	2015	2016	2017	2018
Residential-single family lots	537.62	lots	0	0	50	50	50
Residential-townhouse acres	60.48	acres	0	0	6	6	6
Apartment-acres	20.16	acres	0	0	2	2	2
Institutional (school)	39.60	acres	0	0	0	40	0
Total			0	0	0	40	0
Cumulative Single Family Lots			0	0	50	101	151
Cumulative Townhouse Acres			0	0	6	11	17
Cumulative Apartment Acres			0	0	2	4	6

4.2 Annual Price Escalation	2014	2015	2016	2017	2018
	10.00%	10.00%	10.00%	10.00%	10.00%
	1.100	1.210	1.331	1.464	1.611

4.3 Sales Revenue (land sales)		Density/Acre	Base Unit Price (2013	Commission%	2014	2015	2016	2017	2018
Residential-single family lots	108,328,634	10	100,000	2.5%	0	0	6,533,137	7,186,451	7,905,096
Residential-townhouse acres	103,589,256	18	850,000	2.5%	0	0	6,247,312	6,872,043	7,559,248
Apartment acres	34,529,752	50	850,000	2.5%	0	0	2,082,437	2,290,681	2,519,749
Institutional	46,382,688		800,000	0.0%	0	0	0	46,382,688	0
Total	292,830,330		sask housing	292,830,330	0	0	14,862,887	62,731,863	17,984,093
			hire dev manager	292,830,330	0	0	14,862,887	62,731,863	17,984,093

OPTION #1 - CITY DEVELOPS WI

1.0 TIMING ASSUMPTIONS	sales					
Resolve Planning Issues	servicing	sales	PHASE 2	sales	sales	sales
Servicing infrastructure						
Land sales						
Other						
Total - residential units						

2.0 PRODUCT MIX (units)	2019	2020	2021	2022	2023	2024
Residential-single family lots	50	67	67	67	67	67
Residential-townhouse	102	136	136	136	136	136
Apartment	94	126	126	126	126	126
Other	0	0	0	0	0	0
Total - residential units	247	330	330	330	330	330
Cumulative Units	987	1316	1646	1975	2305	2634

3.0 PRODUCT MIX (acres)	2019	2020	2021	2022	2023	2024
Residential-single family lots	5.034	6.73	6.73	6.73	6.73	6.73
Residential-townhouse	5.664	7.57	7.57	7.57	7.57	7.57
Apartment	1.888	2.52	2.52	2.52	2.52	2.52
Institutional (school)	0.000	0.00	0.00	0.00	0.00	0.00
Total development acres	12.59	16.81	16.81	16.81	16.81	16.81
Cumulative development acres	89.94	106.76	123.57	140.38	157.19	174.01
	13.99%	**20.00%**	**20.00%**	**20.00%**	**20.00%**	**20.00%**
	48.31%	38.65%	28.99%	19.32%	9.66%	0.00%

4.0 SALES SCHEDULE	sales					
	servicing	sales	PHASE 2	sales	sales	sales
4.1 Sales Schedule	2019	2020	2021	2022	2023	2024
Residential-single family lots	50	67	67	67	67	67
Residential-townhouse acres	6	8	8	8	8	8
Apartment-acres	2	3	3	3	3	3
Institutional (school)	0	0	0	0	0	0
Total	0	0	0	0	0	0
Cumulative Single Family Lots	201	269	336	403	470	538
Cumulative Townhouse Acres	23	30	38	45	53	60
Cumulative Apartment Acres	8	10	13	15	18	20

	2019	2020	2021	2022	2023	2024
4.2 Annual Price Escalation	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
	1.772	1.949	2.144	2.358	2.594	2.853

4.3 Sales Revenue (land sales)	2019	2020	2021	2022	2023	2024
Residential-single family lots	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Residential-townhouse acres	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment acres	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
Institutional	0	0	0	0	0	0
Total	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883

City of Regina South-East Lands

Project Costs

5.0 PROJECT COSTS

5.1 Servicing Costs	**Item**	**Increase or Reduction**	**Item**	**Check**	approvals+design **2014**	servicing **2015**	sales **2016**	**PHASE 1** **2017**	sales **2018**
Servicing Agreement Charges	**27,339,054**	**0.00%**	27,339,054	27,339,054	**0**	**14,131,447**	**0**	**0**	**0**
On-site Servicing Cost	**46,000,000**	**0.00%**	46,000,000	47,554,429	**0**	**3,327,153**	**13,795,757**	**3,327,153**	**3,327,153**
Other	**0**	**0.00%**	0	0	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0.00%**	0	0	**0**	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**5.0%**	**0.00%**	0	3,744,674	**0**	**872,930**	**689,788**	**166,358**	**166,358**
Contingency (in on-site servicing costs)	**0.0%**			0	**0**	**0**	**0**	**0**	**0**
Total servicing costs	73,339,054		73,339,054	157,276,315	0	18,331,529	14,485,545	3,493,510	3,493,510

5.2 Development (soft) Costs			**2014**	**2015**	**2016**	**2017**	**2018**
Engineering (in on-site servicing costs)	**0.00**	%	0	0	0	0	0
Other Consultants	**1.00**	%	0	183,315	144,855	34,935	34,935
Development Project Management	**4.50**	%	0	0	668,830	2,822,934	809,284
Legal			**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Research and Appraisal			**25,000**	**25,000**	**0**	**25,000**	**0**
Survey, accounting			**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Overhead			250,000	250,000	250,000	250,000	250,000
Property Taxes	**26.24**	tax rate	205,328	205,328	190,477	128,897	114,046
SHC Administration Fees			0	0	743,144	3,136,593	899,205
Miscellanous Development Costs	**25.00**	%	151,332	197,161	344,791	846,692	333,316
Contingency (% development costs)	**15.00**	%	113,499	147,871	370,065	1,105,508	384,868
Total Development Costs			870,159	1,133,675	2,837,161	8,475,559	2,950,654

5.3 Total Costs				approvals+design **2014**	servicing **2015**	sales **2016**	**PHASE 1** **2017**	sales **2018**
Costs Before Inflation				870,159	19,465,204	17,322,706	11,969,069	6,444,164
Inflation Adjustment	**5.00**	% per annum		1.05	1.103	1.158	1.216	1.276
Costs After Inflation			164,632,843	913,667	21,460,388	20,053,198	14,548,478	8,224,568

	sales					
5.0 PROJECT COSTS	servicing	sales	**PHASE 2**	sales	sales	sales
5.1 Servicing Costs	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Servicing Agreement Charges	**13,207,607**	**0**	**0**	**0**	**0**	**0**
On-site Servicing Cost	**4,755,443**	**4,755,443**	**4,755,443**	**4,755,443**	**4,755,443**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**898,153**	**237,772**	**237,772**	**237,772**	**237,772**	**0**
Contingency (in on-site servicing costs)	**0**	**0**	**0**	**0**	**0**	**0**
Total servicing costs	18,861,203	4,993,215	4,993,215	4,993,215	4,993,215	0
5.2 Development (soft) Costs	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Engineering (in on-site servicing costs)	0	0	0	0	0	0
Other Consultants	188,612	49,932	49,932	49,932	49,932	0
Development Project Management	890,213	1,308,104	1,438,914	1,582,806	1,741,086	1,915,195
Legal	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Research and Appraisal	**25,000**	**0**	**25,000**	**25,000**	**25,000**	**25,000**
Survey, accounting	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Overhead	250,000	250,000	250,000	250,000	250,000	250,000
Property Taxes	99,195	79,356	59,517	39,678	19,839	(0)
SHC Administration Fees	989,125	1,453,449	1,598,794	1,758,673	1,934,540	2,127,994
Miscellanous Development Costs	394,505	453,098	487,091	518,104	552,714	578,799
Contingency (% development costs)	444,247	557,841	605,137	652,379	704,717	753,298
Total Development Costs	3,405,897	4,276,779	4,639,385	5,001,571	5,402,828	5,775,286

	sales					
	servicing	sales	**PHASE 2**	sales	sales	sales
5.3 Total Costs	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Costs Before Inflation	22,267,100	9,269,994	9,632,600	9,994,786	10,396,043	5,775,286
Inflation Adjustment	1.340	1.407	1.477	1.551	1.629	1.710
Costs After Inflation	29,840,043	13,043,813	14,231,737	15,505,194	16,934,059	9,877,698

City of Regina South-East Lands
Cash Flow and Yields/Profit

			approvals+design	servicing	sales	**PHASE 1**	sales
6.0 CASH FLOW		**Beginning**	**End of →**				
6.1 Sources of Funding and Revenues		**2014**	**2014**	**2015**	**2016**	**2017**	**2018**
Single family lots	108,328,634	0	0	0	6,533,137	7,186,451	7,905,096
Townhouse lands	103,589,256	0	0	0	6,247,312	6,872,043	7,559,248
Apartment Lands	34,529,752	0	0	0	2,082,437	2,290,681	2,519,749
School Lands	46,382,688	0	0	0	0	46,382,688	0
Other	0	0	0	0	0	0	0
Equity - Land @ %	0	0	0	0	0	0	0
Equity - Construction @	0	0	0	0	0	0	0
Total	292,830,330	0	0	0	14,862,887	62,731,863	17,984,093
6.2 Project Costs							
6.2.1 Land acquisition cost		7,825,000					
Plus other Closing Costs		250,000					
Equals Total Land Acquisiton Costs		8,075,000	0	0	0	0	0
6.2.2 Construction and Development Costs	172,707,843	8,075,000	913,667	21,460,388	20,053,198	14,548,478	8,224,568
	120,122,487						
6.2.3 Total Costs		8,075,000	913,667	21,460,388	20,053,198	14,548,478	8,224,568
Available for Distribution to Sask Housing for Loan Payments		0	0	0	0	45,774,216	10,170,753
Available for Distribution to City for Loan Payments		0	0	0	0	2,409,169	487,976
Total Abailable for Debt Repayment or Available for Eventual 25%/75% Distribution to Sask Housing and City		0	0	0	0	48,183,385	10,658,729
6.4 Land and Construction Financing	Interest Rate (%)	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Opening Balance-Sask Component		0	7,671,250	8,903,969	30,150,732	36,866,948	0
Opening Balance-City Component		0	403,750	468,630	1,586,881	1,940,366	0
Plus Additional Costs-Sask Housing@95%		7,671,250	867,984	20,387,368	19,050,538	13,821,054	7,813,340
Plus Additional Costs-City Component@5%		403,750	45,683	1,073,019	1,002,660	727,424	411,228
Plus Interest Costs, Sask Housing Component		0	364,736	859,394	1,785,420	1,969,986	175,800
Plus Interest Costs, City Component		0	19,197	45,231	93,969	103,683	9,253
Less Payments-Sask Housing Component		0	0	0	14,119,742	52,657,988	7,989,140
Less Payments-City Component		0	0	0	743,144	2,771,473	420,481
Equals Closing Balance-Sask Housing Component		7,671,250	8,903,969	30,150,732	36,866,948	0	0
Equals Closing Balance-City Component		403,750	468,630	1,586,881	1,940,366	0	0

6.5 Cash Flow			approvals+design	servicing	sales	**PHASE 1**	sales
		Beginning	**End of →**				
		2014	**2014**	**2015**	**2016**	**2017**	**2018**
Cash Flow from Project		0	0	0	0	7,302,402	9,574,472
	Total $'s Received						
Annual Cash Flow to Sask Housing	**27,993,946**	0	0	0	0	1,825,600	2,393,618
Annual Cash Flow to City	**83,981,837**	0	0	0	0	5,476,801	7,180,854

	sales					
	servicing	sales	PHASE 2	sales	sales	sales
6.0 CASH FLOW						
6.1 Sources of Funding and Revenues	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Single family lots	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Townhouse lands	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment Lands	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
School Lands	0	0	0	0	0	0
Other	0	0	0	0	0	0
Equity - Land @ %	0	0	0	0	0	0
Equity - Construction @	0	0	0	0	0	0
Total	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
6.2 Project Costs						
6.2.1 Land acquisition cost						
Plus other Closing Costs						
Equals Total Land Acquisiton Costs	0	0	0	0	0	0
6.2.2 Construction and Development Costs	29,840,043	13,043,813	14,231,737	15,505,194	16,934,059	9,877,698
6.2.3 Total Costs	29,840,043	13,043,813	14,231,737	15,505,194	16,934,059	9,877,698
Available for Distribution to Sask Housing for Loan Payr	0	16,677,351	18,455,720	20,443,523	22,603,446	33,176,069
Available for Distribution to City for Loan Payments	0	801,258	887,207	983,413	1,087,837	1,634,109
Total Abailable for Debt Repayment or Available for Eve	0	17,478,609	19,342,927	21,426,936	23,691,283	34,810,179
6.4 Land and Construction Financing	**4.50%**	**4.50%**	**4.50%**	**4.50%**	**4.50%**	**4.50%**
Opening Balance-Sask Component	0	10,192,495	0	0	0	0
Opening Balance-City Component	0	536,447	0	0	0	0
Plus Additional Costs-Sask Housing@95%	28,348,041	12,391,622	13,520,150	14,729,934	16,087,356	9,383,814
Plus Additional Costs-City Component@5%	1,492,002	652,191	711,587	775,260	846,703	493,885
Plus Interest Costs, Sask Housing Component	637,831	737,474	304,203	331,424	361,966	211,136
Plus Interest Costs, City Component	33,570	38,814	16,011	17,443	19,051	11,112
Less Payments-Sask Housing Component	18,793,377	23,321,591	13,824,353	15,061,358	16,449,322	9,594,949
Less Payments-City Component	989,125	1,227,452	727,598	792,703	865,754	504,997
Equals Closing Balance-Sask Housing Component	10,192,495	0	0	0	0	0
Equals Closing Balance-City Component	536,447	0	0	0	0	0

6.5 Cash Flow	sales					
	servicing	sales	PHASE 2	sales	sales	sales
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Cash Flow from Project	(0)	4,519,930	17,423,919	19,319,396	21,375,727	32,459,936
Annual Cash Flow to Sask Housing	(0)	1,129,982	4,355,980	4,829,849	5,343,932	8,114,984
Annual Cash Flow to City	(0)	3,389,947	13,067,939	14,489,547	16,031,795	24,344,952

APPENDIX D: CITY HIRES DEVELOPMENT MANAGER AND DEVELOPS ON ITS OWN

OPTION #2 - CITY HIRES DEVELOPMENT MANAGER

City of Regina South-East Lands
Product Mix, Sales and Revenue Schedule

1.0 TIMING ASSUMPTIONS	**Phase 1**	**Phase 2**	approvals+design	servicing	sales	**PHASE 1**
Resolve Planning Issues	2013+2014	n/a				
Servicing infrastructure	2015+2016	2019+				
Land sales	2016 to 2019	2020 to 2024				
Other						
Total - residential units						

	Phase 1 South	Phase 2 North			Constructed by Year			
2.0 PRODUCT MIX (units)	**# Units**	**# Units**	**Total Units**	**Check**	**2014**	**2015**	**2016**	**2017**
Residential-single family lots	201	336	538	538	0	0	50	50
Residential-townhouse	408	681	1089	1,089	0	0	102	102
Apartment	378	630	1008	1,008	0	0	94	94
Other	987	1648	2634	0	0	0	0.0	0
Total - residential units	37.46%	62.54%		2,634	0	0	247	247
Cumulative Units					0	0	247	493

		Phase 1 South	Phase 2 North						
3.0 PRODUCT MIX (acres)	**Units/Acre**	**# Acres**	**# Acres**	**Total Acres**	**Check**	**2014**	**2015**	**2016**	**2017**
Residential-single family lots	10	20.137	33.625	53.76	53.76	0.00	0.00	5.034	5.034
Residential-townhouse	18	22.654	37.828	60.48	60.48	0.00	0.00	5.664	5.664
Apartment	50	7.551	12.609	20.16	20.16	0.00	0.00	1.888	1.888
Institutional (school)		39.600	0.000	39.60	39.60	0.00	0.00	0.000	39.600
Total development acres		89.943	84.063	174.01	174.01	0.00	0.00	12.59	52.19
Cumulative development acres		51.69%	48.31%			0.00	0.00	12.59	64.77
								13.99%	**58.02%**
						100.00%	100.00%	92.77%	62.78%
						approvals+design	servicing	sales	**PHASE 1**

4.0 SALES SCHEDULE

4.1 Sales Schedule	**check**		**2014**	**2015**	**2016**	**2017**
Residential-single family lots	538	lots	0	0	50	50
Residential-townhouse acres	60.48	acres	0	0	6	6
Apartment-acres	20.16	acres	0	0	2	2
Institutional (school)	39.60	acres	0	0	0	40
Total			0	0	0	40
Cumulative Single Family Lots			0	0	50	101
Cumulative Townhouse Acres			0	0	6	11
Cumulative Apartment Acres			0	0	2	4

	2014	**2015**	**2016**	**2017**
4.2 Annual Price Escalation	**10.00%**	**10.00%**	**10.00%**	**10.00%**
	1.100	1.210	1.331	1.464

			Base Unit					
4.3 Sales Revenue (land sales)		Density/Acre	**Price (2013**	**Commission%**	**2014**	**2015**	**2016**	**2017**
Residential-single family lots	108,328,634	10	100,000	**2.5%**	0	0	6,533,137	7,186,451
Residential-townhouse acres	103,589,256	18	850,000	**2.5%**	0	0	6,247,312	6,872,043
Apartment acres	34,529,752	50	850,000	**2.5%**	0	0	2,082,437	2,290,681
Institutional	46,382,688		800,000	**0.0%**	0	0	0	46,382,688
Total	292,830,330			292,830,330	0	0	14,862,887	62,731,863

OPTION #2 - CITY HIRES DEVEL

1.0 TIMING ASSUMPTIONS	sales	sales					
Resolve Planning Issues		servicing	sales	PHASE 2	sales	sales	sales
Servicing infrastructure							
Land sales							
Other							
Total - residential units							

2.0 PRODUCT MIX (units)	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	50	50	67	67	67	67	67
Residential-townhouse	102	102	136	136	136	136	136
Apartment	94	94	126	126	126	126	126
Other	0.0	0	0	0	0	0	0
Total - residential units	247	247	330	330	330	330	330
Cumulative Units	740	987	1316	1646	1975	2305	2634

3.0 PRODUCT MIX (acres)	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	5.034	5.034	6.73	6.73	6.73	6.73	6.73
Residential-townhouse	5.664	5.664	7.57	7.57	7.57	7.57	7.57
Apartment	1.888	1.888	2.52	2.52	2.52	2.52	2.52
Institutional (school)	0.000	0.000	0.00	0.00	0.00	0.00	0.00
Total development acres	12.59	12.59	16.81	16.81	16.81	16.81	16.81
Cumulative development acres	77.36	89.94	106.76	123.57	140.38	157.19	174.01
	13.99%	**13.99%**	**20.00%**	**20.00%**	**20.00%**	**20.00%**	**20.00%**
	55.54%	48.31%	38.65%	28.99%	19.32%	9.66%	0.00%

4.0 SALES SCHEDULE	sales	sales					
		servicing	sales	PHASE 2	sales	sales	sales
4.1 Sales Schedule	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	50	50	67	67	67	67	67
Residential-townhouse acres	6	6	8	8	8	8	8
Apartment-acres	2	2	3	3	3	3	3
Institutional (school)	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Cumulative Single Family Lots	151	201	269	336	403	470	538
Cumulative Townhouse Acres	17	23	30	38	45	53	60
Cumulative Apartment Acres	6	8	10	13	15	18	20

	2018	2019	2020	2021	2022	2023	2024
4.2 Annual Price Escalation	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
	1.611	1.772	1.949	2.144	2.358	2.594	2.853

4.3 Sales Revenue (land sales)	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	7,905,096	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Residential-townhouse acres	7,559,248	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment acres	2,519,749	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
Institutional	0	0	0	0	0	0	0
Total	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883

City of Regina South-East Lands
Project Costs

		Increase or					approvals+design	servicing	sales	PHASE 1
5.0 PROJECT COSTS										
5.1 Servicing Costs	**Item**	**Reduction**	**Item**			**Check**	**2014**	**2015**	**2016**	**2017**
Servicing Agreement Charges	**27,339,054**	**0.00%**	27,339,054			27,339,054	**0**	**14,131,447**	**0**	**0**
On-site Servicing Cost	**46,000,000**	**0.00%**	46,000,000			47,554,429	**0**	**3,327,153**	**13,795,757**	**3,327,153**
Other	**0**	**0.00%**	0			0	**0**	**0**	**0**	**0**
Other	**0**	**0.00%**	0			0	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**5.0%**	**0.00%**	0			3,744,674	**0**	**872,930**	**689,788**	**166,358**
Contingency (in on-site servicing costs)	**0.0%**					0	**0**	**0**	**0**	**0**
Total servicing costs	73,339,054		73,339,054			157,276,315	0	18,331,529	14,485,545	3,493,510
5.2 Development (soft) Costs		0.5%					**2014**	**2015**	**2016**	**2017**
Engineering (in on-site servicing costs)				**0.00**	%		0	0	0	0
Other Consultants				**1.00**	%		0	183,315	144,855	34,935
Development Project Management				**4.50**	%		0	0	668,830	2,822,934
Legal							**100,000**	**100,000**	**100,000**	**100,000**
Research and Appraisal							**25,000**	**25,000**	**0**	**25,000**
Survey, accounting							**25,000**	**25,000**	**25,000**	**25,000**
Overhead							250,000	250,000	250,000	250,000
Property Taxes				**0.00**	tax rate		0	0	0	0
Miscellanous Development Costs				**25.00**	%		100,000	145,829	297,171	814,467
Contingency (% development costs)				**15.00**	%		75,000	109,372	222,879	610,850
Total Development Costs							575,000	838,516	1,708,735	4,683,187
							approvals+design	servicing	sales	**PHASE 1**
5.3 Total Costs							**2014**	**2015**	**2016**	**2017**
Costs Before Inflation							575,000	19,170,045	16,194,280	8,176,697
Inflation Adjustment				**5.00**	% per annum		1.05	1.103	1.158	1.216
Costs After Inflation						138,399,978	603,750	21,134,975	18,746,903	9,938,826

	sales	sales					
5.0 PROJECT COSTS		servicing	sales	**PHASE 2**	sales	sales	sales
5.1 Servicing Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Servicing Agreement Charges	**0**	**13,207,607**	**0**	**0**	**0**	**0**	**0**
On-site Servicing Cost	**3,327,153**	**4,755,443**	**4,755,443**	**4,755,443**	**4,755,443**	**4,755,443**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Misc. Servicing Costs (in on-site servicing costs)	**166,358**	**898,153**	**237,772**	**237,772**	**237,772**	**237,772**	**0**
Contingency (in on-site servicing costs)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total servicing costs	3,493,510	18,861,203	4,993,215	4,993,215	4,993,215	4,993,215	0
5.2 Development (soft) Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Engineering (in on-site servicing costs)	0	0	0	0	0	0	0
Other Consultants	34,935	188,612	49,932	49,932	49,932	49,932	0
Development Project Management	809,284	890,213	1,308,104	1,438,914	1,582,806	1,741,086	1,915,195
Legal	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
Research and Appraisal	**0**	**25,000**	**0**	**25,000**	**25,000**	**25,000**	**25,000**
Survey, accounting	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Overhead	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Property Taxes	0	0	0	0	0	0	0
Miscellanous Development Costs	304,805	369,706	433,259	472,212	508,184	547,755	578,799
Contingency (% development costs)	228,604	277,280	324,944	354,159	381,138	410,816	434,099
Total Development Costs	1,752,628	2,125,810	2,491,239	2,715,217	2,922,060	3,149,589	3,328,092

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	sales
5.3 Total Costs	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Costs Before Inflation	5,246,138	20,987,013	7,484,454	7,708,432	7,915,276	8,142,804	3,328,092
Inflation Adjustment	1.276	1.340	1.407	1.477	1.551	1.629	1.710
Costs After Inflation	6,695,549	28,124,605	10,531,379	11,388,864	12,279,190	13,263,769	5,692,167

City of Regina South-East Lands
Cash Flow and Yields/Profit

			approvals+design	servicing	sales	PHASE 1
6.0 CASH FLOW		**Beginning**	**End of** →			
6.1 Sources of Funding and Revenues		**2014**	**2014**	**2015**	**2016**	**2017**
Single family lots		0	0	0	6,533,137	7,186,451
Townhouse lands		0	0	0	6,247,312	6,872,043
Apartment Lands		0	0	0	2,082,437	2,290,681
School Lands		0	0	0	0	46,382,688
Other		0	0	0	0	0
Equity - Land @ %		0	0	0	0	0
Equity - Construction @		0	0	0	0	0
Total	292,830,330	0	0	0	14,862,887	62,731,863
6.2 Project Costs						
6.2.1 Land acquisition cost		7,825,000				
Plus other Closing Costs		250,000				
Equals Total Land Acquisiton Costs		8,075,000	0	0	0	0
6.2.2 Construction and Development Costs		0	603,750	21,134,975	18,746,903	9,938,826
6.2.3 Total Costs	146,474,978	8,075,000	603,750	21,134,975	18,746,903	9,938,826
6.3 Land and Construction Financing	Interest Rate (%)	4.50	4.50	4.50	4.50	4.50
Opening Balance		0	8,075,000	9,055,709	31,073,728	36,777,868
Plus Additional		8,075,000	603,750	21,134,975	18,746,903	9,938,826
Plus interest		0	376,959	883,044	1,820,123	1,878,628
Less Payments		0	0	0	14,862,887	48,595,322
Equals Closing Balance		8,075,000	9,055,709	31,073,728	36,777,868	0
6.4 Cash Flow			approvals+design	servicing	sales	**PHASE 1**
Annual Cash Flow	139,013,278	0	0	0	0	14,136,542
Cumulative Cash Flow		0	0	0	0	14,136,542

	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	sales
6.0 CASH FLOW							
6.1 Sources of Funding and Revenues	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Single family lots	7,905,096	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Townhouse lands	7,559,248	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment Lands	2,519,749	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
School Lands	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Equity - Land @ %	0	0	0	0	0	0	0
Equity - Construction @	0	0	0	0	0	0	0
Total	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
6.2 Project Costs							
6.2.1 Land acquisition cost							
Plus other Closing Costs							
Equals Total Land Acquisiton Costs	0	0	0	0	0	0	0
6.2.2 Construction and Development Costs	6,695,549	28,124,605	10,531,379	11,388,864	12,279,190	13,263,769	5,692,167
6.2.3 Total Costs	6,695,549	28,124,605	10,531,379	11,388,864	12,279,190	13,263,769	5,692,167
6.3 Land and Construction Financing	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Opening Balance	0	0	8,974,906	0	0	0	0
Plus Additional	6,695,549	28,124,605	10,531,379	11,388,864	12,279,190	13,263,769	5,692,167
Plus interest	150,650	632,804	640,827	256,249	276,282	298,435	128,074
Less Payments	6,846,199	19,782,502	20,147,112	11,645,114	12,555,472	13,562,204	5,820,241
Equals Closing Balance	0	8,974,906	0	0	0	0	0
6.4 Cash Flow	sales	sales					
		servicing	sales	**PHASE 2**	sales	sales	sales
Annual Cash Flow	11,137,894	0	8,921,861	20,330,756	22,617,985	25,128,599	36,739,642
Cumulative Cash Flow	25,274,435	25,274,435	34,196,296	54,527,053	77,145,038	102,273,636	139,013,278

APPENDIX E: CITY PURSUES JOINT VENTURE

OPTION #3 - CITY PURSUES JOINT VENTURE DEVELOPMENT

City of Regina South-East Lands
Product Mix, Sales and Revenue Schedule

1.0 TIMING ASSUMPTIONS		Phase 1	Phase 2													
						approvals+design	servicing	sales	PHASE 1	sales	sales					
Resolve Planning Issues		2013+2014	n/a								servicing	sales	PHASE 2	sales	sales	sales
Servicing infrastructure		2015+2016	2019+													
Land sales	conservative	2016 to 2019	2020 to 2024													
Other																
Total - residential units																

		Phase 1 South	Phase 2 North			Constructed by Year										
2.0 PRODUCT MIX (units)		# Units	# Units	Total Units	Check	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots		201	336	538	538	0	0	50	50	50	50	67	67	67	67	67
Residential-townhouse		408	681	1089	1,089	0	0	102	102	102	102	136	136	136	136	136
Apartment		378	630	1008	1,008	0	0	94	94	94	94	126	126	126	126	126
Other		987	1648	2634	0	0	0	0.0	0	0.0	0	0	0	0	0	0
Total - residential units		37.46%	62.54%		2,634	0	0	247	247	247	247	330	330	330	330	330
Cumulative Units						0	0	247	493	740	987	1316	1646	1975	2305	2634

		Phase 1 South	Phase 2 North													
3.0 PRODUCT MIX (acres)	UPAcre	# Acres	# Acres	Total Acres	Check	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots	10	20.137	33.625	53.76	53.76	0.00	0.00	5.034	5.034	5.034	5.034	6.73	6.73	6.73	6.73	6.73
Residential-townhouse	18	22.654	37.828	60.48	60.48	0.00	0.00	5.664	5.664	5.664	5.664	7.57	7.57	7.57	7.57	7.57
Apartment	50	7.551	12.609	20.16	20.16	0.00	0.00	1.888	1.888	1.888	1.888	2.52	2.52	2.52	2.52	2.52
Institutional (school)		39.600	0.000	39.60	39.60	0.00	0.00	0.000	39.600	0.000	0.000	0.00	0.00	0.00	0.00	0.00
Total development acres		89.943	84.063	174.01	174.01	0.00	0.00	12.59	52.19	12.59	12.59	16.81	16.81	16.81	16.81	16.81
Cumulative development acres		51.69%	48.31%			0.00	0.00	12.59	64.77	77.36	89.94	106.76	123.57	140.38	157.19	174.01
								13.99%	58.02%	13.99%	13.99%	20.00%	20.00%	20.00%	20.00%	20.00%
						100.00%	100.00%	92.77%	62.78%	55.54%	48.31%	38.65%	28.99%	19.32%	9.66%	0.00%

						approvals+design	servicing	sales	PHASE 1	sales	sales					
4.0 SALES SCHEDULE											servicing	sales	PHASE 2	sales	sales	sales
4.1 Sales Schedule				check		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots				537.62	lots	0	0	50	50	50	50	67	67	67	67	67
Residential-townhouse acres				60.48	acres	0	0	6	6	6	6	8	8	8	8	8
Apartment-acres				20.16	acres	0	0	2	2	2	2	3	3	3	3	3
Institutional (school)				39.60	acres	0	0	0	40	0	0	0	0	0	0	0
Total						0	0	0	40	0	0	0	0	0	0	0
Cumulative Single Family Lots						0	0	50	101	151	201	269	336	403	470	538
Cumulative Townhouse Acres						0	0	6	11	17	23	30	38	45	53	60
Cumulative Apartment Acres						0	0	2	4	6	8	10	13	15	18	20

						2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
4.2 Annual Price Escalation						10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
						1.100	1.210	1.331	1.464	1.611	1.772	1.949	2.144	2.358	2.594	2.853

				Base Unit												
4.3 Sales Revenue (land sales)			Density/Acre	Price (2013	Commission%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Residential-single family lots		108,328,634	10	100,000	2.5%	0	0	6,533,137	7,186,451	7,905,096	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Residential-townhouse acres		103,589,256	18	850,000	2.5%	0	0	6,247,312	6,872,043	7,559,248	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment acres		34,529,752	50	850,000	2.5%	0	0	2,082,437	2,290,681	2,519,749	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
Institutional		46,382,688		800,000	0.0%	0	0	0	46,382,688	0	0	0	0	0	0	0
Total		292,830,330		sask housing	292,830,330	0	0	14,862,887	62,731,863	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
				hire dev manager	292,830,330	0	0	14,862,887	62,731,863	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883

City of Regina South-East Lands

Project Costs

		Increase or			approvals+design	servicing	sales	PHASE 1	sales	sales					
5.0 PROJECT COSTS										servicing	sales	PHASE 2	sales	sales	sales
5.1 Servicing Costs	**Item**	**Reduction**	**Item**	**Check**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Servicing Agreement Charges	27,339,054	0.00%	27,339,054	27,339,054	0	14,131,447	0	0	0	13,207,607	0	0	0	0	0
On-site Servicing Cost	46,000,000	0.00%	46,000,000	47,554,429	0	3,327,153	13,795,757	3,327,153	3,327,153	4,755,443	4,755,443	4,755,443	4,755,443	4,755,443	0
Other	0	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0
Misc. Servicing Costs (in on-site servicing costs)	5.0%	0.00%	0	3,744,674	0	872,930	689,788	166,358	166,358	898,153	237,772	237,772	237,772	237,772	0
Contingency (in on-site servicing costs)	0.0%			0	0	0	0	0	0	0	0	0	0	0	0
Total servicing costs	73,339,054		73,339,054	157,276,315	0	18,331,529	14,485,545	3,493,510	3,493,510	18,861,203	4,993,215	4,993,215	4,993,215	4,993,215	0
5.2 Development (soft) Costs		0.5%			**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Engineering (in on-site servicing costs)			0.00	%	0	0	0	0	0	0	0	0	0	0	0
Other Consultants			1.00	%	0	183,315	144,855	34,935	34,935	188,612	49,932	49,932	49,932	49,932	0
Development Project Management			2.50	%	0	0	371,572	1,568,297	449,602	494,563	726,724	799,397	879,336	967,270	1,063,997
Legal					100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Research and Appraisal					25,000	25,000	0	25,000	0	25,000	0	25,000	25,000	25,000	25,000
Survey, accounting					25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Overhead					250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Property Taxes			26.24	tax rate	759,899	759,899	704,936	477,036	422,073	367,110	293,688	220,266	146,844	73,422	(0)
Miscellanous Development Costs			25.00	%	289,975	335,804	399,091	620,067	320,403	362,571	361,336	367,399	369,028	372,656	365,999
Contingency (% development costs)			15.00	%	217,481	251,853	299,318	465,050	240,302	271,928	271,002	275,549	276,771	279,492	274,499
Total Development Costs					1,667,355	1,930,871	2,294,773	3,565,385	1,842,316	2,084,785	2,077,683	2,112,543	2,121,912	2,142,772	2,104,496
					approvals+design	servicing	sales	PHASE 1	sales	sales					
										servicing	sales	PHASE 2	sales	sales	sales
5.3 Total Costs					**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Costs Before Inflation					1,667,355	20,262,400	16,780,318	7,058,896	5,335,826	20,945,987	7,070,898	7,105,758	7,115,127	7,135,987	2,104,496
Inflation Adjustment			5.00	% per annum	1.05	1.103	1.158	1.216	1.276	1.340	1.407	1.477	1.551	1.629	1.710
Costs After Inflation				133,684,084	1,750,723	22,339,296	19,425,315	8,580,132	6,810,016	28,069,626	9,949,464	10,498,441	11,037,897	11,623,772	3,599,402

City of Regina South-East Lands
Cash Flow and Yields/Profit

				approvals+design	servicing	sales	PHASE 1	sales	sales					
									servicing	sales	PHASE 2	sales	sales	sales
6.0 CASH FLOW			Beginning	End of →										
6.1 Sources of Funding and Revenues			2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Single family lots		108,328,634	0	0	0	6,533,137	7,186,451	7,905,096	8,695,605	12,777,570	14,055,327	15,460,860	17,006,946	18,707,641
Townhouse lands		103,589,256	0	0	0	6,247,312	6,872,043	7,559,248	8,315,173	12,218,552	13,440,407	14,784,448	16,262,892	17,889,182
Apartment Lands		34,529,752	0	0	0	2,082,437	2,290,681	2,519,749	2,771,724	4,072,851	4,480,136	4,928,149	5,420,964	5,963,061
School Lands		46,382,688	0	0	0	0	46,382,688	0	0	0	0	0	0	0
Other		0	0	0	0	0	0	0	0	0	0	0	0	0
Equity - Land @ %		0	0	0	0	0	0	0	0	0	0	0	0	0
Equity - Construction @		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		292,830,330	0	0	0	14,862,887	62,731,863	17,984,093	19,782,502	29,068,973	31,975,870	35,173,457	38,690,803	42,559,883
6.2 Project Costs														
6.2.1 Land acquisition cost			28,959,570											
Plus other Closing Costs			250,000											
Equals Total Land Acquisiton Costs			29,209,570	0	0	0	0	0	0	0	0	0	0	0
6.2.2 Construction and Development Costs		162,893,654	29,209,570	1,750,723	22,339,296	19,425,315	8,580,132	6,810,016	28,069,626	9,949,464	10,498,441	11,037,897	11,623,772	3,599,402
6.2.3 Total Costs			29,209,570	1,750,723	22,339,296	19,425,315	8,580,132	6,810,016	28,069,626	9,949,464	10,498,441	11,037,897	11,623,772	3,599,402
Available for Distribution to Partner for Loan Payments			0	0	0	0	27,075,866	5,587,038	0	9,559,755	10,738,715	12,067,780	13,533,516	19,480,241
Available for Distribution to City for Loan Payments			0	0	0	0	27,075,866	5,587,038	0	9,559,755	10,738,715	12,067,780	13,533,516	19,480,241
Total Abailable for Debt Repayment or Available for Eventual 25%/75% Distribution to Sask Housing and City			0	0	0	0	54,151,732	11,174,077	0	19,119,509	21,477,429	24,135,560	27,067,031	38,960,481
		Developer Interest Rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
6.4 Land and Construction Financing		City Interest Rate%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Opening Balance-Partner Component			0	30,085,857	32,792,631	46,264,926	51,613,416	27,763,057	23,943,952	29,945,196	22,331,395	13,090,041	1,973,232	0
Opening Balance-City Component			0	0	895,057	12,356,300	15,412,082	0	0	4,459,345	0	0	0	0
Plus Additional Costs-Partner@50% (beyond land acquisition costs)			29,209,570	875,361	11,169,648	9,712,658	4,290,066	3,405,008	14,034,813	4,974,732	5,249,220	5,518,949	5,811,886	1,799,701
Plus Additional Costs-City Component@50%			0	875,361	11,169,648	9,712,658	4,290,066	3,405,008	14,034,813	4,974,732	5,249,220	5,518,949	5,811,886	1,799,701
Plus Interest Costs, Partner Component			876,287	1,831,412	2,302,647	3,067,275	3,225,507	1,767,934	1,857,682	1,945,954	1,497,360	950,971	292,750	53,991
Plus Interest Costs, City Component			0	19,696	291,595	774,568	790,070	76,613	315,783	312,602	118,107	124,176	130,767	40,493
Less Payments-Partner Component	is it 95% or 25% to sask housing		0	0	0	7,431,443	31,365,932	8,992,046	9,891,251	14,534,486	15,987,935	17,586,729	8,077,868	1,853,692
Less Payments-City Component			0	0	0	7,431,443	20,492,218	3,481,621	9,891,251	9,746,679	5,367,328	5,643,125	5,942,653	1,840,194
Equals Closing Balance-Partner Component			30,085,857	32,792,631	46,264,926	51,613,416	27,763,057	23,943,952	29,945,196	22,331,395	13,090,041	1,973,232	0	0
Equals Closing Balance-City Component			0	895,057	12,356,300	15,412,082	0	0	4,459,345	0	0	0	0	0

6.5 Cash Flow				approvals+design	servicing	sales	PHASE 1	sales	sales					
									servicing	sales	PHASE 2	sales	sales	sales
Cash Flow from Project			0	0	0	0	10,873,713	5,510,426	0	4,787,807	10,620,607	11,943,603	24,670,281	38,865,997
		Total $'s Received												
Annual Cash Flow to Partner		53,636,217	0	0	0	0	5,436,857	2,755,213	0	2,393,904	5,310,304	5,971,802	12,335,141	19,432,998
	82,595,787													
Annual Cash Flow to City		53,636,217	0	0	0	0	5,436,857	2,755,213	0	2,393,904	5,310,304	5,971,802	12,335,141	19,432,998

March 11, 2015

To: Members,
Executive Committee

Re: The Regina Exhibition Association Limited (REAL) - Authority to Secure External Financing and Enactment of a Borrowing/Guarantee Bylaw

RECOMMENDATION

1. That City Council repeal The Regina Exhibition Association Limited Grant Bylaw No. 9103.

2. That the Chief Financial Officer be authorized to negotiate any guarantee or other legal documents required of the City to facilitate The Regina Exhibition Association Limited's (REAL) financing to a maximum of $13 million with HSBC Bank Canada.

3. That this report be forwarded to City Council with a borrowing/guarantee bylaw once the external financing and guarantee has been arranged.

CONCLUSION

In order to facilitate its five-year capital plan, which includes investment in capital upgrades and repairs, stewardship of the property and investment in food and beverage equipment for the new Mosaic Stadium, The Regina Exhibition Association Limited (REAL) has requested that City Council authorize REAL to borrow up to $13 million and to have the City provide a guarantee for the debt resulting from the borrowing.

Pursuant to section 5.2 (f) of the Unanimous Member's Agreement between the City and REAL, as well as section 153 of *The Cities Act*, City Council is required to approve borrowing requests of REAL as the debt incurred by REAL is consolidated (included in) the City's debt and the City would be ultimately responsible for repayment. For this reason, in addition to authorizing the borrowing itself, a borrowing/guarantee bylaw will be required to be passed by Council upon completion of an external financing agreement.

The Regina Exhibition Association Limited Grant Bylaw No. 9103 was established to provide capital grants to REAL and to set conditions upon the use of the funds. At the time the bylaw was created, REAL was incorporated under *The Regina Exhibition Association Act*. In 2014, REAL became a "municipal corporation" under *The Non-Profit Corporations Act* and is governed by the Unanimous Member's Agreement. As a result of this change, Bylaw No. 9103 is no longer applicable and, as such, should be repealed.

In its business case to support the borrowing request, REAL has provided positive financial projections. These projections suggest REAL anticipates it will repay approximately $8.8 million of debt within five years (2015-2019) without experiencing cash flow constraints. REAL's cash flow projection also shows the organization can achieve an average ending cash balance of approximately $2 million annually after the repayment of annual debt obligation.

BACKGROUND

Effective January 1, 2014, REAL became a corporation under *The Non-Profit Corporations Act, 1995 (Saskatchewan)*, with the City becoming its sole voting member. This change in structure made REAL a "municipal corporation" of the City and subject to the borrowing limitations and processes set forth in *The Cities Act (Saskatchewan)*. This requires City Council approval and the passage of borrowing/guarantee bylaws.

In addition to the requirements of *The Cities Act (Saskatchewan*), REAL and the City entered into a Unanimous Member's Agreement effective January 1, 2014 that prescribes City Council approvals are required in certain situations by REAL. Section 5.2 (f) of the Unanimous Member's Agreement requires REAL to obtain City Council approval before incurring any debt obligations or completing borrowing.

REAL has proposed to undertake capital reinvestment program over the next five years to pursue its business growth strategy, stewardship of the property, capital upgrades and investments, repairs and maintenance. REAL has identified a total need for capital expenditures of $11.3 million over the next five years, including anticipated capital spend of $3 million in 2015 and $2 million in 2016. The five-year capital plan is attached as Appendix B. To move forward with this plan, REAL requests that Bylaw No. 9103 be repealed and that a new borrowing/guarantee bylaw be passed to allow REAL to borrow up to $13 million.

REAL had previously brought forward requests to the City that support their business growth strategy. In November 2014, REAL made a presentation to the Executive Committee of the City of Regina to request one-time funding of $50,000 to complete a Pre-Construction Design and Costing project for a new multi-purpose event facility located at Evraz Place. The Pre-Construction Design and Costing project was a follow-up to the assessment of the Canadian Western Agribition event and the development of a strategy to address infrastructure issues at REAL's facility as well as to align the strategy with the Evraz Place Master Plan.

REAL is currently awaiting the consultant's report for the Pre-Construction Design and Costing study, which will identify the funding requirements for the construction of a new multi-purpose event facility. REAL anticipates that the funding model for this project will include contributions from Evraz Place, Canadian Western Agribition, The City of Regina and Regina Hotels Association, as well as contributions from the Federal and Provincial Governments. The debt financing requested by REAL over the next five years takes into consideration REAL's contribution toward the construction of a new multi-purpose event facility. Additional funding from the City of Regina to support the construction of the facility will be requested at a future date.

The following rationale has been presented by REAL with respect to its five-year capital plan:

- REAL's major business initiatives and organizational goals require this capital investment over the next five years.
- In addition to the capital spend requirements already identified within the five-year capital plan, REAL has a backlog of preventative maintenance activities. REAL believes that this situation presents critical risk to the property and the operational capabilities of the organization. REAL receives $400,000 per year from the City through the community investment funding program. REAL indicated that while it spends the $400,000 and more by

way of regularly scheduled maintenance activities based on priority need of repair, there is no specific amount allocated to capital upgrades and repair and maintenance activities in REAL's annual planning cycle. The administration believes that to mitigate the risk of a backlog of maintenance needs in the future, REAL should identify a minimum amount of funding to be allocated annually within it planning cycle to address these needs.

- REAL also believes it will experience a high rate of disrepair at an accelerated rate due to the age of some of the facilities and equipment, if repairs and maintenance are not attended to in the near term. Information of the condition of the assets have not been presented with this request, therefore administration does not have the ability to assess the level of risk this presents.

Also included in the business case provided by REAL is a rationale that explains why REAL believes it is more reasonable to execute the organization's five-year capital plan with debt financing than utilizing cash flows from operations. The rationale includes:

- Funding the capital plan by way of borrowing allows the business to begin planning and coordinating the capital expenditures as soon as funding is in place as opposed to the fits and starts associated with setting aside funds as/if they become available from operational cash flow.
- In addition to projected cash flow, the variability inherent in the external business environment creates an unknown which may jeopardize REAL's ability to execute its capital plan if it attempts to fund the required capital investment from operating cash flows.
- Depleting cash flows may impair management's ability to realize opportunities and/or mitigate adverse events.
- Amortizing repayment of borrowed funds will allow management to continue on with the 2016 capital plan with a consistent level of debt, which is also repayable by way of operating cash flows.

To assess the reasonableness of the business case presented by REAL, the administration has completed an analysis of cash flows and other key ratios detailed in Appendix A. This analysis shows that based on the information presented, REAL can reasonably be expected to meet the obligations of the requested debt. Approval of the borrowing will however, limit the amount of debt available to the City to finance its own capital projects, as discussed later in this report.

In order to best facilitate the borrowing, the City is being asked to provide a guarantee of the debt to HSBC Bank Canada. The provision of a formal guarantee is not unusual in this type of situation and would permit REAL to complete the borrowing without providing security in its assets or its lease with the City. This is desirable from the perspective of both the City and REAL and is consistent with the fact that notwithstanding a formal guarantee, the debt incurred would count against the City's debt limit and the City would be ultimately responsible for repayment if default occurred.

A bylaw authorizing the borrowing/guarantee is required to be passed by City Council prior to REAL entering into this external financing arrangement. Pursuant to sections 134 and 153 of *The Cities Act*, the bylaw must contain details of the following:

- The amount of money to be borrowed and in general terms the purpose for which the money is borrowed;

- The rate of interest under the loan or how the rate of interest is calculated, the term and the terms of repayment of the loan; and
- The source or sources of money to be used to pay the principal and interest owing under the loan.

DISCUSSION

REAL's Proposed Debt Structure

The borrowing package contemplated by REAL includes a mix of credit facilities totalling $13 million. REAL approached three financial institutions with respect to a new banking package. The process to request proposals from various lending institutions followed by REAL is consistent with the process used by the City.

HSBC Bank Canada offered the most innovative package with the best choice of repayment options along with interest rates. REAL choose the rate of Banker's Acceptance (BA[1]) + 1.25%. The BA rate tends to be between 1 and 1.25% with trending below 1% during the month of January 2015. Based on prime rate of 3.0%, this is a very competitive rate of interest. The term sheet attached as Appendix C indicates the mix of credit facilities proposed by HSBC Bank Canada. The amount, purpose, repayment sources and interest rate for each facility is summarized below:

- *Facility A: $3,000,000 Overdraft Line:* This facility is needed to support daily working capital requirements, and the interest rate is BA+1.25%. This loan will be repaid from REAL's regular operating cash flow.
- *Facility B: $5,000,000 Revolving Equipment Loan:* This is required to finance part of the capital plan at an interest rate of BA+1.25%. This loan will be repaid from REAL's regular operating cash flow.
- *Facility C: $4,000,000 Food & Beverage Equipment (new Mosaic Stadium) Loan:* This facility is required to finance the food and beverage equipment for the new stadium. Interest rate is BA+1.25% and the loan will be repaid over ten years from REAL's incremental net income from the new stadium, which is projected at $1.2 million annually.
- *Facility D: $700,000 Interest Rate Swap:* This is required to manage variableness of the BA rate.
- *Facility E: $100,000 MasterCard Corporate Expense Program:* The purpose of this facility is to assist with travel, entertaining, and small ticket purchases.
- *Facility F: $200,000 Foreign Exchange Line:* This is required to hedge against exposures to foreign exchange risks.

City's Debt Limit and Current Debts Outstanding for the City and REAL

The City has been conservative with respect to its borrowing and regularly monitors debt to ensure it maintains a sound financial position and that credit quality (rating) is protected. The current credit rating of AA+ received by Standard and Poor's is a very strong rating. Remaining in good standing enables the City have access to capital markets and favourable interest rates for the debt it assumes.

[1] Banker's Acceptance, or BA, rate results in less interest payment relative to a rate based on the Prime Rate

The City's current debt limit is $450 million with $275 million outstanding as of December 31, 2014. The outstanding debt for the City is projected to reach approximately $363 million by December 31, 2015. The outstanding debt for REAL as at December 31, 2014, was $222,865. If the proposed debt of $13 million by REAL is taken into consideration, it will increase the City's projected debt to $376 million. While the increase will leave $74 million in debt available to the City, it reduces the availability of debt financing to support other high priorities that may arise and could potentially impact the City's credit rating if not repaid as and when due.

To mitigate the risk of the additional debt on the current credit rating, the City will continue to work within the parameters established in the Debt Management Policy. In addition, the development of a long range financial plan for the City, currently underway, will include an assessment of our current policy and other financial policies to ensure long term financial sustainability.

Assessment of REAL Current and Projected Financial Condition

As money borrowed by REAL ultimately represents a debt obligation of the City and reduces the available debt to the City, it is important to evaluate REAL's current and projected financial condition to determine its ability to repay borrowed funds. In addition, it is necessary to evaluate the potential risk the City may face with respect to debt issued by REAL.

In order to determine the reasonability of the positive financial projections provided by REAL and its overall ability to meet its debt obligation, consideration was given to REAL's audited financial statements for 2012 and 2013, along with the unaudited statements for 2014. The reasonability analysis is attached as Appendix A. Based on the assessment of REAL's actual revenues, profit and cash flow for the past three years (2012 - 2014) along with the incremental revenues that it anticipates to generate from the New Stadium and New EventPlex, it was concluded that the revenue and profit projections provided by REAL are comparatively reasonable. The assessment presented also indicates that REAL has the ability to meet its debt obligation.

Based on the capital investment of $11.3 million that REAL anticipates to undertake within the next five years and a total profit projection of $5.8 million in five years, the expected return on investment (ROI) for REAL will be negative at 48.7% as shown in Appendix A. It is likely that the ROI would be positive if a 10-year horizon is considered. However, there is no information beyond the first five years of this investment at this time.

Impact of REAL's Debt on the City's Debt Position

Debt Service Ratio

The debt service ratio[2] measures the percentage of revenue required to cover debt servicing cost, including interest and principal payments. A high debt servicing ratio is an indication of financial risk as a substantial amount of operating revenues will be required to service debt obligation. The debt service ratio is the prime ratio used by Standard & Poor's (S&P), the City's credit rating agency, when assessing the debt burden of a municipality. The City Debt Management Policy sets an affordability target rate of less than 5%.

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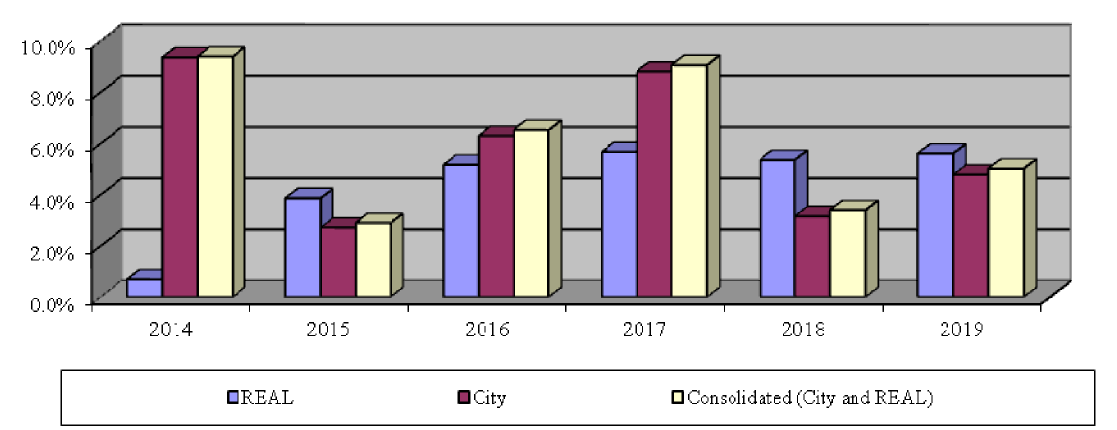
[2] This ratio was calculated by dividing annual interest and principal payments on debt by total REAL revenues.

As presented in Figure 1, the debt service ratio for REAL was 0.7% in 2014 and is projected to average around 5% within five years (2015-2019), due to the proposed borrowing by REAL. In comparison, the City's debt service ratio peaked at 9.4% in 2014 due to a balloon payment[3] made on debt, and is also expected to average approximately 5.1% in five years (2015- 2019) with a spike of 6.3% and 8.8% in 2016 and 2017 respectively. The spike in the City's debt service ratio in 2016 and 2017 is due to projected large debt repayments of $31.4 million and $54.2 million respectively, related to the Wastewater Treatment Plant.

Figure 1: Debt Service Ratio: REAL versus City



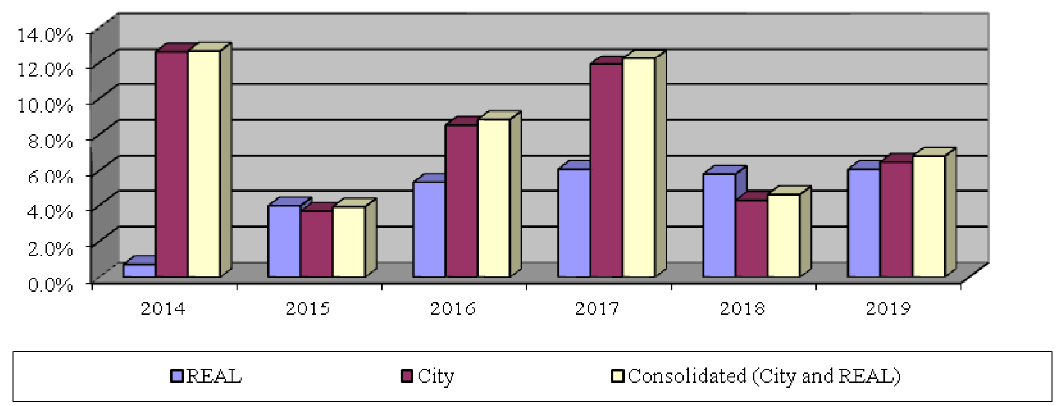
If REAL's debt is consolidated into the City's, in the event of a default by REAL, the City's debt service ratio will increase from 5.1% to 5.4% over five years (2015-2019). The ratio will peak in 2016 and 2017 at 6.5% and 9.1% respectively. Although the City faces the risk of higher debt obligation by authorizing REAL's debt request, this risk would be mitigated by the positive cash flow projections for REAL, which shows that REAL has reasonable ability to meet its debt obligations.

Debt Burden Ratio
The debt burden ratio measures the percentage of total expenditures that is associated with debt servicing cost, including annual debt interest and principal payments. The City's Debt Management Policy established an affordability target rate of less than 5%.

As shown in Figure 2, the debt burden ratio for REAL was 0.7% in 2014 and is projected to average approximately 5.5% over five years (2015-2019), following the proposed debt issuance. In comparison, the City's debt burden ratio peaked at 12.7% in 2014 due to a balloon payment on debt, and is estimated to average approximately 7.0% over five years (2015-2019). This ratio will spike at 8.5% and 11.9% in 2016 and 2017 respectively. This shows that while the five-year average debt burden ratio of 5.5% for REAL is slightly higher than the target ratio of 5.0% established in the Debt Management Policy, the City's five-year average ratio of 7.0% is substantially higher. The spike in the City's ratio in 2016 and 2017 is due to projected large debt repayments of $31.4 million and $54.2 million respectively, related to the Wastewater Treatment Plant.

[3] A repayment of outstanding debt principal amount at the end of a loan period

Figure 2: Debt Burden Ratio for the City and REAL



If REAL's debt is consolidated into the City's, in the event of a default by REAL, the City's debt burden ratio will increase from 7.0% to 7.3%, based on a five-year average (2015-2019), with the peak years being 2016 and 2017 at 8.8% and 12.3% respectively. As noted previously, the potential financial risk to the City, which may result from REAL defaulting on its debt obligation, is mitigated by REAL's positive cash flow projections and ability to meet its maturing financial obligations.

Cost-Benefit-Analysis for the Proposed Borrowing by REAL
The benefits and cost to the City with respect to the proposed borrowing by REAL are summarized below:

Benefits
- Additional financing flexibility will allow Evraz Place to more effectively respond to the business requirements of future capital investments on the property.
- Capital renewal and stewardship of the property will help meet the long-term needs of the community and REAL, making Evraz Place a "world class" facility in Regina. This is consistent with City Council's vision of building an attractive community.

Costs
- Reduces the City's available debt by $13 million.
- Impacts or could potentially stop some capital projects from proceeding.
- Limits the City's financial ability to deal with emergencies, as the City's available debt room will decrease by $13 million to $74 million by December 2015.
- Could potentially have a negative impact on the City's current credit rating.

The annual cash flow projections indicate REAL has the ability to meet its debt obligation, which mitigates some of the concerns identified above. The cash flow projection shows that REAL can repay $8.8 million of debt over the five-year period (2015-2019) and remain cash neutral from the 2015 ending cash balance of approximately $2.5 million to an ending cash balance of just over $3 million in 2019. In addition, the City's available debt of $74 million is reasonable to deal with unanticipated, one-time emergencies that may occur. Also, barring any new debt, the City's available debt will increase in 2017 due to the repayment of outstanding debts.

RECOMMENDATION IMPLICATIONS

Financial Implications

The debt repayment ability for REAL was determined based on their five-year financial projections. Unanticipated business slow down and variability in the external business environment can impact REAL's financial projections and its ability to meet debt obligations. If this happens, the City will ultimately be responsible for any outstanding debt for REAL. This potential situation will impact the City's available debt and potentially reduce its ability to fund new projects/programs or deal with unanticipated emergencies.

Also, interest rate on the proposed debt is based on BA rates, which are subject to market variability. Therefore, any significant increase in rates will result in additional financing cost to REAL and by extension, the City.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

The repeal of Bylaw No. 9103 and the enactment of a new borrowing/guarantee bylaw will allow REAL to pursue its business strategy, meet its obligation to effectively manage stewardship of the property, and continue to improve the properties presentation to the community.

In addition, investment in the food and beverage equipment for the new Mosaic Stadium is consistent with Council's priority of building a world-class sports and entertainment venue in Regina.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

A Public Notice will be issued prior to Council approval of the guarantee bylaw/borrowing bylaw as required by Section 101 and 102 of *The Cities Act* and Bylaw No. 2003-8

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

June Schultz, Director
Finance

Respectfully submitted,

Ed Archer
CFO

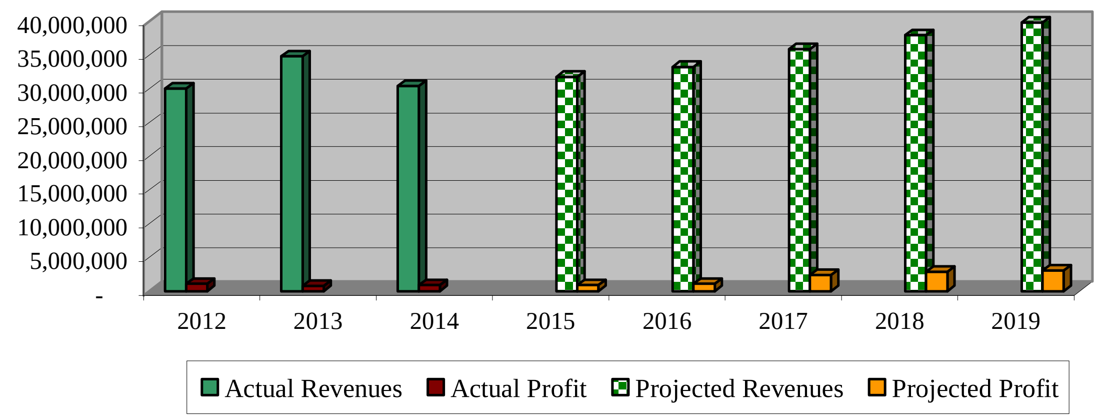
Report prepared by: Curtis Smith, Manager, Policy & Risk Management

Appendix A

Reasonability Assessment of REAL's Financial Projections

Profit Plan and Cash Flow: Three-Year Actual Compared with Five-Year Projections
REAL has provided a five-year (2015-2019) revenue and profit projection as presented in Figure 3. The projections suggest that revenue will grow by approximately 25.2% from $31.8 million in 2015 to $39.8 million in 2019, while profit is expected to grow by over 230% from $913,000 in 2015 to just over $3 million in 2019. REAL anticipates that its revenues and profit will be boosted by incremental revenues from the New Stadium and New EventPlex, which is projected to average approximately $1.4 million per year. In comparison, REAL's revenues and profit for the last three years show revenues increased from approximately $30 million in 2012 to $34.8 million in 2013 before decreasing to $30.4 million in 2014, while profit decreased by 12.3% from $1.1 million in 2012 to $951,000 in 2014 as shown in Figure 3.

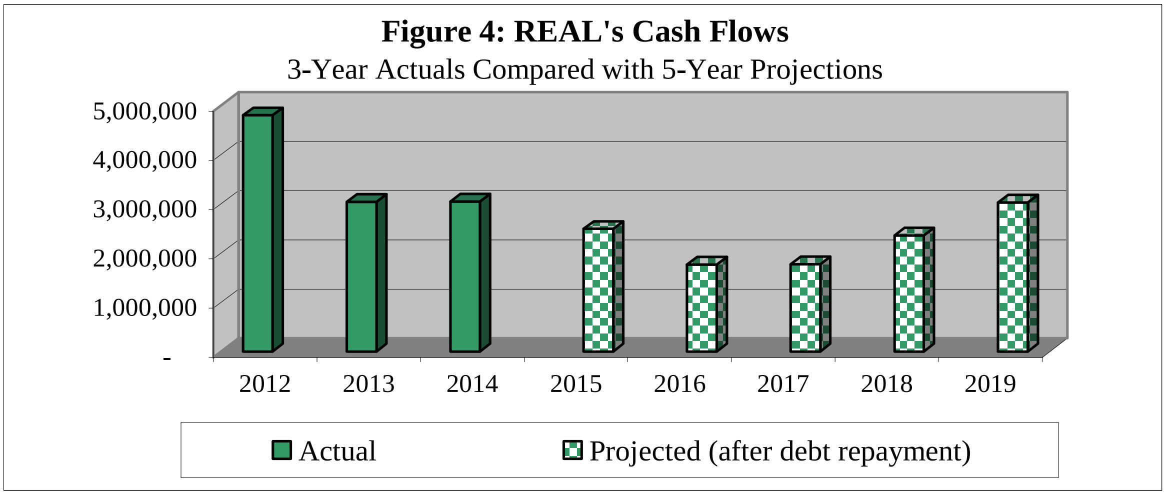
Figure 3: REAL's Profit Plan
3-Year Actuals Compared with 5-Year Projections



Based on REAL's past revenues and profit, as well as the incremental revenues it anticipates to generate from the New Stadium and New EventPlex, it is appropriate to conclude that the revenue and profit projections made by REAL are comparatively reasonable.

REAL also projects to achieve a 21.7% cumulative growth in cash flow from approximately $2.5 million in 2015 to $3.0 million in 2019 as presented in Figure 4. The cash flow projection is based on REAL's ending cash balance after taking into consideration average debt capital repayment of approximately $1.8 million per year, based on the proposed debt. In comparison, REAL experienced a significant decline of 36.6% in actual cash flow between 2012 and 2013. The cash flow for 2014[1] is expected to be similar to the 2013 cash flow position of approximately $3.0 million, which is also similar to the projection for 2019.

[1] The financial statements for 2014 have not been audited at this time, but the numbers are relatively reasonable as the statements include eleven months of actual activities.

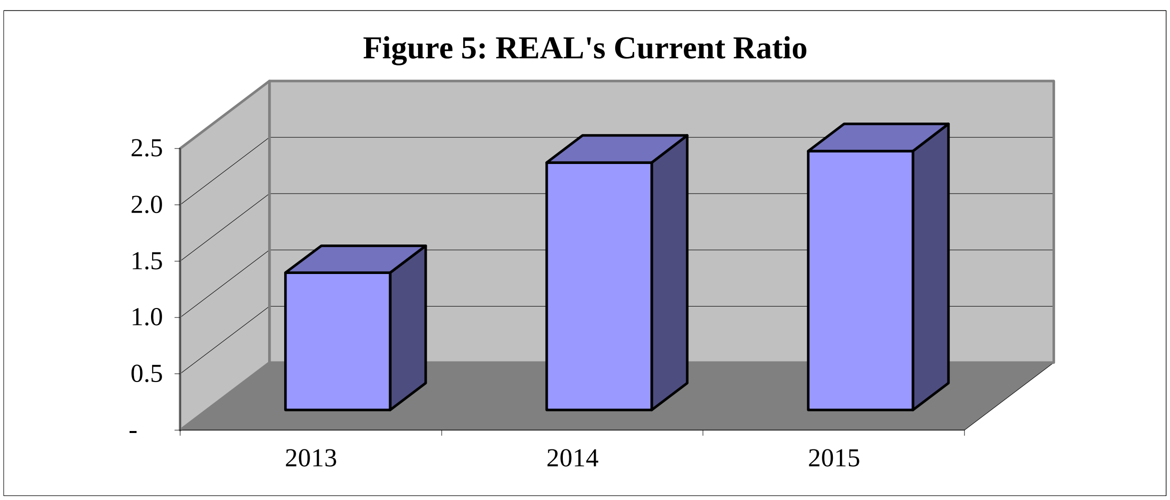


Given the actual cash flows achieved by REAL over the past three years as shown in Figure 4, it is appropriate to conclude that the five-year cash flow projections are comparatively reasonable.

Current Ratio

The current ratio measures REAL's liquidity position and its ability to meet maturing debt obligations during the year. A higher ratio is an indication that REAL can meet its yearly financial obligations. The benchmark used by most industries is a current ratio of 2.0.

Based on the graph in Figure 5, the current ratio[2] for REAL was 1.2 in 2013 but increased to 2.2 in 2014. The ratio is projected to reach 2.3 in 2015, which is higher than the target benchmark of 2.0 used by most industries. This indicates that REAL has a good liquidity position and reasonable ability to meet its annual debt obligations.

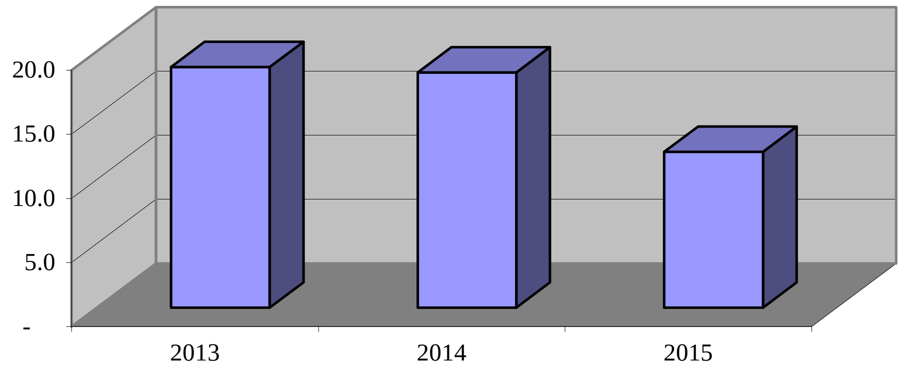


[2] 2013 ratios for REAL were calculated based on their audited financial statements, while 2014 and 2015 ratios were calculated based on unaudited financial statements and financial projections respectively.

Accounts Receivable Turnover Ratio

Accounts receivable turnover is an efficiency ratio that measures how many times REAL turn its accounts receivable into cash during the year. A higher ratio is usually an indication of efficient business operations. The standard accounts collection period, measured in days, used by most organizations is 30 days.

Figure 6: REAL's Accounts Receivable Turnover Ratio



The graph in Figure 6 shows that REAL turned their accounts receivable approximately 19 times both in 2013 and 2014, which indicates that, on average, receivables were collected within 20[3] days of sales. The projected ratio for REAL in 2015 is twelve times, indicating that accounts receivables can be collected within 30 days in 2015. While this is a less efficient performance compared to 2014, the 30-day collection period in 2015 is consistent with the standard collection terms used by many companies.

Return on Investment Analysis

Return on investment is a performance measure used to evaluate the benefit that an investor receives for undertaking an investment. It is calculated by dividing net profit by the amount of capital invested.

Based on the capital expenditures identified, REAL expects to invest \$11.3 million within the next five years. The incremental profit (Table 1) that REAL projects to receive over the same period is approximately \$5.8 million. This will result in a negative ROI of (48.7%) as demonstrated below:

$$\text{ROI} = \frac{\text{Incremental Profit} - \text{Investment Cost}}{\text{Investment Cost}}$$

$$= \frac{\$5.8 \text{ million} - \$11.3 \text{ million}}{\$11.3 \text{ million}}$$

$$= (48.7\%)$$

[3] This was calculated by dividing 365 days in a year by the Account Receivables Turnover (i.e. 365/19)

Table 1: Incremental Profit Analysis

Incremnetal Profit Analysis	Total	2015	2016	2017	2018	2019
Annual Projected Profit for REAL	**10,370,764**	913,281	1,102,401	2,419,084	2,877,158	3,058,840
Subtract Base Profit (2014)	**4,610,000**	922,000	922,000	922,000	922,000	922,000
Incremental Profit	**5,760,764**	- 8,719	180,401	1,497,084	1,955,158	2,136,840

It is necessary to note that the ROI analysis only looks at the return on investment over a 5-year period. However, some of the capital investments, including new building for the EventPlex and food and beverage equipment for the New Stadium, have a useful life longer than five years and would continue to generate returns. As a result, the ROI could potentially be positive if a 10-year profit projection is considered.

Captial Planning Worksheet

Business Unit	Details	Proposed Requirement	2015 Capital	2016 Capital	2017 Capital	2018 Capital	2019 Capital
Corporate							
HVAC in meeting room #4	Tim's exhaust fans	50,000	-	-	50,000	-	-
Lewvan video board replacement	TBD	500,000	-	-	500,000	-	-
Brandt Centre	East Upper Suites	250,000	-	250,000	-	-	-
QCC	Camera System Upgrade	10,000	10,000	-	-	-	-
Parking Lot	Parking Lot Cameras	25,000	-	25,000	-	-	-
Parking Lot	Devices & system to improve parking			-	-	-	-
Access Control	Critical areas, concessions/offices	50,000	50,000	50,000	50,000	50,000	-
ERP MIS	ERP solution integrated with Eventpro & Kronos	450,000	-	450,000	450,000	-	-
EventPro	Investment to re-config & setup EventPro	20,000	20,000	-	-	-	-
Selectica	Contract Management application	20,000	20,000	-	-	-	-
TMA Software	Complete the configuration of TMA	15,000	15,000	-	-	-	-
EP 2.0	New Building	2,000,000	-	2,000,000	-	-	-
EP website	Redevelopment & refresh of website	35,000	35,000	-	-	-	-
CFPS - WD Grant	Technology & equipment	82,000	82,000	-	-	-	-
Technology for the Board of Directors	15 - IPad @ $800/each	12,000	12,000	-	-	-	-
Technology for the Board of Directors	Board Portals annual subscription	12,000	12,000	12,000	12,000	12,000	12,000
Vehicles							
Evraz Place	Front End Loader possible lease or large skid steer	90,000	90,000	-	-	-	-
E & E /Catering	Cube Van, 5 ton, with lift	20,000	-	20,000	-	-	-
E & E							
Parking Lot	Fencing and Gates	10,000	10,000	10,000	-	-	-
Evraz Place	Recycle/Garbage bins - 100 @ $80.00	8,000	8,000	8,000	-	-	-
Brandt Centre	Staging Legs - 48-72"	50,000	50,000	-	-	-	-
Evraz Place	Radios - 30	18,000	18,000	-	-	-	-
Brandt Centre	Rigging platforms	75,000	75,000	-	-	-	-
Brandt Centre	Spot Lights - 2	20,000	20,000	-	-	-	-
Brandt Centre	Plexiglas install for boards plus rail		-	-	-	-	-
Brandt Centre	Score clock EP portion	565,149	565,149	-	-	-	-
Brandt Centre	Upgrade lighting						

Captial Planning Worksheet

Business Unit	Details	Proposed Requirement	2015 Capital	2016 Capital	2017 Capital	2018 Capital	2019 Capital
POM							
Canada Centre	Radiant Heat	40,000	40,000	40,000	40,000	40,000	40,000
QCC	Domestic water lines	25,000	25,000	25,000	-	-	-
Brandt Centre	Heaters, replacement and lines	75,000	75,000	-	-	-	-
Brandt Centre	Condenser room roof/floor in Brandt	95,000	95,000	-	-	-	-
Brandt Centre	Rubber floor outside the Pats dressing room	35,000	35,000	-	-	-	-
Agribition Building	Evestroughing, near Pat's office	18,000	18,000	-	-	-	-
Canada Centre	Wall Cladding, exterior west wall	20,000	-	20,000	-	-	-
Lots	Repair underground water valves around the property	25,000	25,000	-	-	-	-
Lots	Parking Kiosk's, Internally built	80,000	-	80,000	-	-	-
Lots	snow removal 1 vehicle truck blade	16,000	16,000	-	-	-	-
Salon D entryway	Water leak roof repair	45,000	45,000	-	-	-	-
S&R							
Condenser	Place holder for either a condensor or compressor	225,000	225,000	-	-	-	-
Compressor	Assists with Brandt ice plant (dependant on TCC)		-	-	-	-	-
Water treatment	TCC, chemical room - Dolphin water system	40,000	40,000	-	-	-	-
Stone Hard	Continue with this project	25,000	25,000	-	-	-	-
TCC Upper level	Additional Reader Boards	10,000		10,000	-	-	-
CUEP	Soccer Netting/Dam	15,000		15,000	-	-	-
Zamboni	TCC, possible trade of oldest machine @ $40K, net	90,000	-	90,000	-	-	-
Zamboni Refurbishment	possible 2 units in 2015	25,000	25,000	25,000	25,000	25,000	25,000
Ice Edgers	Gas Edger	5,500	5,500	-	-	-	-
Arena 1	Kick Plates	5,000	5,000	-	-	5,000	-
Arena 2	Kick Plates	5,000	-	5,000	-	-	5,000
Arena 3	Kick Plates	5,000	-	5,000	-	-	5,000
Arena 4	Kick Plates	5,000	-	-	5,000	-	-
Arena 5	Kick Plates	5,000	-	-	5,000	-	-
Arena 6	Kick Plates	5,000	5,000	-	-	5,000	-
All dressing rooms in all arenas 1-5	Replace mixing valves & shower heads	155,625	155,625	-	-	-	-
All dressing rooms in arena 6	Replace mixing valves & shower heads	41,500	41,500	-	-	-	-
Ice Decking	Additional set of decking	170,000	-	170,000	-	-	-

Captial Planning Worksheet

Business Unit	Details	Proposed Requirement	2015 Capital	2016 Capital	2017 Capital	2018 Capital	2019 Capital
F&B							
Carpet & paint	QCC , entire area painted and carpeted staged approach, customer facing areas	400,000	400,000	400,000	400,000	400,000	400,000
Combi Oven	EventPlex Kitchen	13,000	13,000	-	-	-	-
Popcorn machine	Brandt Centre	8,000	8,000	-	-	-	-
Banquet chairs	1500 chairs, 750 in '15 & 750 in '16	41,250	41,250	41,250	-	-	-
Tables & settings	QCC 500 tables & settings, 1/2 in '15, 1/2 in '16	15,400	15,400	15,400	-	-	-
Kitchen Equipment	misc stuff	45,000	45,000	-	-	-	-
Tim Hortons mandatory Reno	Mandatory location reno	200,000	200,000	-	-	-	-
New Stadium Equipment	F&B equipment fit out	3,750,000	-	3,750,000	-	-	-
Bar service equipment	Place-holder for liquor guns and dispensers	50,000	50,000	50,000	-	-	-
QCC	Escalator refurbishment	35,000	35,000	35,000	-	-	-
IT							
Server room security	Access/protection/backup power/cooling	10,000	10,000	-	-	-	-
Servers	Extend the warranty on R710	3,000	3,000	-	-	-	-
Servers	Purchase new R730	12,000	12,000	-	12,000	-	12,000
Switches	Core Fibre switch, increase capacity/backup	5,000	5,000	5,000	-	-	-
Switches	2 - 24 port Dell switches @ $2500/each	5,000	5,000	-	5,000	-	5,000
Switches	2 - 48 port Dell switches @ $3500/each	7,000	7,000	-	7,000	-	7,000
Switches	2 - 12 port Cisco POE @$2500/each	5,000	5,000	-	5,000	-	5,000
Switches	12 Port Cisco POE @ $2500 for the CUEP	2,500	2,500	-	2,500	-	2,500
Desktops	19 - Dell, model XE2 @ $2000/each	38,000	38,000	38,000	38,000	38,000	38,000
Access Points	3 - Spare units @ $850/each	2,550	2,550	-	-	-	-
Access Points	1 - unit for admin building	850	850	-	-	-	-
Access Points	3 - units for the Upper TCC @ $850/each	2,550	2,550	-	-	-	-
Access Points	3 - units for the lower TCC @ $850/each		-	-	-	-	-
			-	-	-	-	-
Wiring	CUEP TM wiring	3,500	3,500	-	-	-	-
Wiring	CC TM wiring	5,000	5,000	-	-	-	-
Wiring	Rear catering office cabinet move	5,000	5,000	-	-	-	-
Wiring	Admin office access point	500	500	-	-	-	-
Wiring	TCC upper access points	3,000	3,000	-	-	-	-
Wiring	TCC lower access points	3,000	3,000	-	-	-	-

Captial Planning Worksheet

Business Unit	Details	Proposed Requirement	2015 Capital	2016 Capital	2017 Capital	2018 Capital	2019 Capital
HR							
			-	-	-	-	-
Pay stub folding equipment	(vs. paperless paystubs), require systems for staff access	5,000	5,000	-	-	-	-
Kronos	Time/attendance/scheduling, leasing options If leased for 36 months, yearly cost is $58,000 otherwise initial investment is $300K	100,000	100,000	100,000	100,000	-	-
Box Office			-	-	-	-	-
TM Boca printers	for TM system, 3 required @ $1200 each	3,600	3,600	-	-	-	-
TM Boca printers	for TM system, 2 required @ $1200 each	2,400	-	2,400	-	-	-
TM hand held scanners	new style, total of 12 require, 4 per year for 3 years required @ $1200 each	4,800	4,800	4,800	4,800	-	-
Wireless scanning in CUEP	TM equipment & setup	4,000	4,000	-	-	-	-
Portable POS System	Ability to ticket TM events at mobile locations	5,000	5,000	5,000	-	-	-
Laptop computers	Use TM in mobile locations, 2 required	3,000	3,000	3,000	-	-	-
Brandt West Entrance	Place holder for TBD requirements	15,000	15,000	-	-	-	-
		11,336,332	3,055,274	7,759,850	1,711,300	575,000	556,500

EVRAZplace
enriching our community

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Executive Summary

The Regina Exhibition Association Limited requests that the borrowing bylaw No. 9103 Section2(2) be amended to increase the maximum debt limit for The Regina Exhibition Association Limited (REAL) to $13,000,000 from the existing limit of $2.8 million.

REAL's request is in support of The Regina Exhibition Association Limited's business growth strategy, stewardship of the property, capital upgrades and repair & maintenance activities. REAL has identified over $11 million of spending for the five year period beginning in 2015. REAL's 2015 capital spend will be $3 million with an additional spend of approximately $2 million in 2016. It is anticipated that REAL will continue to fund this initiative via debt going forward for a minimum of five years. This plan facilitates REAL to enact upon a continuous property improvement model in order to present a facility that is in meeting with the organizations expectation of a world class facility.

Also to provide a foundation of support though a more suitable banking arrangement, REAL has entered into discussions with HSBC Bank Canada. A proposed "Term Sheet" has been included with this business case.

With this request, REAL will be positioned to support the organizations business growth strategy, meet its obligation to effectively manage the stewardship of the property and continue to improve the properties presentation to the community, all supported with an adequate banking arrangement.

Background

REAL has entered into discussions with HSBC Bank Canada in order to establish a banking arrangement that would position REAL to become sufficiently financed for a five year period. The proposed banking arrangement is included in the attached "Term Sheet" as part of this request. The Term Sheet includes three main credit facilities.

Facility A, is a $3 million Overdraft Line which includes up to a maximum of $2 million of short term specialty lending by way of a "Clean Import Line" (CIL), the CIL would be used to finance short term specialty financing requirements for concerts & events. The overdraft line will support the organizations day to day operating cash requirements. This enhancement to available credit will allow the organization to be in a position to take advantage of any opportunities and also to be able to have available credit in the event of an emergent expenditure. The manner in which the organization currently mitigates this is to hold a higher level of cash on hand, a very poor way of using a very valuable resource.

Facility B, is a Revolving Equipment Loan with a credit limit of $5 million. This credit facility will be used to begin to finance the organizations five year capital plan. This facility is the main component of the overall financing arrangement as it will facilitate REAL to act upon its five year capital plan. A summary of the capital plan is as described below.

> The 5-Year Capital Plan identified an anticipated need for capital expenditures of $11.3M over that same time frame. In order to execute on that plan, our planned 2015 spend is $3 million and we anticipate a spend of $2 million for 2016 funded by way of debt. Our rationale for the structure is as follows:
>
> **1. Our Need**
>
> a. Our major business initiatives and organizational goals require an aggressive level of capital reinvestment over the next five years.
>
> b. Aside from the capital spend requirements already identified within the 5-Year Capital Plan, at present we have a backlog of preventative maintenance activities. This situation presents critical risk to the property and the operational capabilities of the organization.
>
> c. We will experience a higher rate of disrepair at an accelerated rate due to the age of some of our facilities and equipment if repairs and maintenance are not attended to in the near term.
>
> **2. Our Plan - Borrowing the capital funds versus utilizing cash from operations**
>
> a. Funding the Capital Plan by way of borrowing allows the business to begin planning and coordinating the capital expenditures as soon as funding is in place as opposed to the fits and starts and delays associated with setting aside funds as they become available (or not) from operational cash flow.

b. In addition to projected cash flow, the variability inherent in our industry creates an unknown which may jeopardize our ability to execute the capital plan if we attempt to fund the capital investment from operating cash flows whereas we have sufficient cash flow capacity in our plan for making monthly debt repayments.

c. Depleting operating cash flows may cripple management's ability to seize opportunities and/or mitigate adverse events.

d. Amortizing repayment will allow management to continue on with the capital plan with a consistent level of debt (repayable by way of operating cash flows).

The third facility, **Facility C**, is established for REAL to fund the requirement to provide food & beverage equipment for the new Mosaic Stadium. This facility has an anticipated credit limit of a $4 million term loan repayable over 10 years. This term loan has a unique repayment structure established to meet cash flows in alignment with the CFL football season of activities. Monthly payments will be made in the period of July to November with no repayment required for the remaining seven months.

The remaining credit facilities which comprise of a maximum combined credit limit of $1 million are to support the entire banking package though the use of an Interest Rate Swap Facility, A MasterCard Corporate Expense Program and a Foreign Exchange Line.

Borrowing also has the side benefit of allowing us to develop a relationship with a bank at a more meaningful level that may create an advantage for us in funding future capital projects.

The expected rate of interest for Facilities A – C is the same and is proposed to be BA + 1.25%. Using a BA rate will result in less interest incurred versus a rate based on the Prime Rate. The Interest Rate Swap Line will be used to manage the variableness of the BA rate. Typically the BA rate tends to be between 1 – 1.25% with recent trending below 1% during the month of January 2015. The only variation of interest rate is for the CIL, which due to its short term nature is expected to be Prime + .25%.

Financial Analysis

In order to support this debt repayment we looked at the organizations forecasted growth from 2015 – 2019 which includes revenue generated from REAL's regular activities, revenue from the proposed new multi-purpose event facility coming online in January 2017 and revenue from the operation of the new stadium starting in July 2017. We anticipate approximate revenue growth of 25% from 2015 to 2019. Below is the Proforma Income Statement.

EVRAZplace

Revenue and Exoenses for Activitv: 000 to 850

	2015	2016	2017	2018	2019
4000 - Revenue Continuance	2,600,000.00	2,600,000.00	2,600,000.00	2,600,000.00	2,600,000.00
4010-4400 - General Revenue	10,713,279.00	11,248,942.95	11,811,390.10	12,401,959.60	13,022,057.58
4450-4481 - Building Rentals	8,235,520.00	8,647,296.00	9,079,660.80	9,533,643.84	10,010,326.03
4549-4601 - Catering & Concession	8,507,615.00	8,932,995.75	9,379,645.54	9,848,627.81	10,341,059.21
4650-Sales - Souvenirs	298,000.00	312,900.00	328,545.00	344,972.25	362,220.86
4670-4680 - Sponsorships & advertising	1,446,570.00	1,518,898.50	1,594,843.43	1,674,585.60	1,758,314.88
4700-4740 - Other Sales	6,000.00	6,300.00	6,615.00	6,945.75	7,293.04
Incremental Net Income - EventPlex 2.0	0.00	0.00	149,039.69	278,840.03	448,872.08
Incremental Net Income - New Stadium	0.00	0.00	960,862.89	1,281,150.52	1,281,150.52
Revenue	31,806,984.00	33,267,333.20	35,910,602.44	37,970,725.41	39,831,294.20
5300-5351 - COGS Catering & Concessions	(2,856,827.00)	(2,999,668.35)	(3,149,651.77)	(3,307,134.36)	(3,472,491.07)
5750 - COGS - Souvenirs	(226,525.00)	(237,851.25)	(249,743.81)	(262,231.00)	(275,342.55)
5800 - Sponsorship Expenses	(5,000.00)	(5,250.00)	(5,512.50)	(5,788.13)	(6,077.53)
Cost of Goods Sold	(3,088,352.00)	(3,242,769.60)	(3,404,908.08)	(3,575,153.48)	(3,753,911.16)
Direct Expenses	(12,068,093.67)	(12,671,498.35)	(13,305,073.27)	(13,970,326.93)	(14,668,843.28)
Indirect Expenses	(2,064,447.00)	(2,167,669.35)	(2,276,052.82)	(2,389,855.46)	(2,509,348.23)
Overhead Expenses	(13,672,810.20)	(14,082,994.50)	(14,505,484.34)	(15,158,231.13)	(15,840,351.53)
Report Totals (2539/2099)	913,281.14	1,102,401.40	2,419,083.94	2,877,158.40	3,058,840.00

We used this projection to build up a projected statement of cash flows in order to analyze our ability to repay debt. What we found is that the organization can repay over the five year period $8,840,400 of debt and remain cash neutral from the 2015 opening cash position of just over $3 million, to a similar position by the end of 2019. This is a positive situation as the opening amount of cash available for operations in 2020 is $2.5 million. This tells us that over the five year period we may have the ability to repay the debt at a quicker pace in order to reduce our interest costs but alternatively if the organization remains with the proposed level of debt repayment, we will not constrain the organization in the event of unanticipated business slow down. Below is the Proforma Cash Flow Statement for the period of 2015 – 2019.

EVRAZplace

Pro Forma Cash Flow Statement

	2015	2016	2017	2018	2019
Opening Cash Balance	3,053,228	2,493,788	1,771,440	1,777,094	2,358,320
Sask Gaming Revenues	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
Rental Revenues	8,235,520	8,647,296	9,079,661	9,533,644	10,010,326
Food & Liquor Sales	8,507,615	8,932,996	8,932,996	9,379,646	9,848,628
Sales - Souvenirs	298,000	312,900	328,545	344,972	362,221
General Revenue	10,713,279	11,248,943	11,811,390	12,401,960	13,022,058
Sponsorship & Advertising	1,446,570	1,518,899	1,594,843	1,674,586	1,758,315
Other Revenues	6,000	6,300	6,615	6,946	7,293
Incremental Net Income - EventPlex 2.0	-	-	149,040	278,840	448,872
Incremental Net Income - New Stadium	-	-	960,863	1,281,151	1,281,151
Change In Supplies & Prepaid Expenses	8,358	8,693	9,043	9,474	9,925
Change In Accounts Payable	(1,486,128)	(1,547,280)	(1,611,095)	(1,688,160)	(1,768,923)
Change In Deferred Revenue	(1,011,998)	(1,062,598)	(1,115,728)	(1,171,514)	(1,230,090)
Change In Accounts Receivable	956,026	1,003,827	1,054,019	1,106,720	1,162,056
Total Cost of Goods Sold	(3,088,352)	(3,242,770)	(3,404,908)	(3,575,153)	(3,753,911)
Direct Expenses	(12,068,094)	(12,671,498)	(13,305,073)	(13,970,327)	(14,668,843)
Indirect Expenses	(2,064,447)	(2,167,669)	(2,276,053)	(2,389,855)	(2,509,348)
Overhead Expenses	(13,672,810)	(14,082,995)	(14,505,484)	(15,158,231)	(15,840,352)
Change In Inventory	(18,978)	(19,926)	(20,923)	(21,969)	(23,067)
Change In GST Payable	149,548	132,866	154,086	155,383	156,456
Current Portion of Long Term Debt	(181,019)	(170,698)	(22,361)	(22,361)	(7,454)
Capital Debt Repayment	(1,046,924)	(1,547,328)	(2,010,816)	(2,010,816)	(2,224,516)
Total Operating Cash Flow	(559,440)	(722,348)	5,654	581,225	676,389
Less Change in Cash Held by Treasury	0	0	0	0	0
Period Closing Cash Balance	2,493,788	1,771,440	1,777,094	2,358,320	3,034,709
Treasury Cash Balance	500,000	500,000	500,000	500,000	500,000
Operating Cash Balance	1,993,788	1,271,440	1,277,094	1,858,320	2,534,709
Ending Cash Balance	2,493,788	1,771,440	1,777,094	2,358,320	3,034,709

Key Benefits for the Property & the City of Regina

REAL's five year capital plan enables the organization to take the first steps towards a sustained initiative of capital repair in order to catch-up the shortfall of capital re-investment that has been part of the past. The amendment of the borrowing bylaw will allow REAL to move forward with organizations business growth strategy, meet its obligation to effectively manage the stewardship of the property and continue to improve the properties presentation to the community, all supported with an adequate banking arrangement. The end result will be a property that can meet the long term needs of the community and the organization, making Evraz Place a "world Class" facility right here in the City of Regina.

January 26, 2015

The Regina Exhibition Association Limited operating EvrazPlace
Box 167
Regina, SK S4P 2Z6

<u>Attention: Ben Antifaiff</u>

TERM SHEET

This term sheet is for the confidential use of The Regina Exhibition Association Limited operating as EvrazPlace ("EvrazPlace"), and except with the prior written consent of HSBC Bank Canada, is not to be disclosed to any person other than as may be required by law or other than to the directors and officers of EvrazPlace and those employees of or financial advisors and legal counsel to EvrazPlace in each case, who are directly involved in the transactions described herein and who have been informed of the confidential nature of this term sheet.

Dear Sir:

On behalf of HSBC Bank Canada, we are pleased to outline the basic terms and conditions under which a formal proposal for financing may be developed. Please be advised that this term sheet does not represent an authorized facility or formal proposal for financing, but rather forms the basis upon which we would proceed to prepare an application for approval at some point in the future.

<u>Borrower</u>: **The Regina Exhibition Association Limited operating EvrazPlace (the "Borrower" and "EvrazPlace")**

A) <u>Master Limit</u>: **CAD $3,000,000**

<u>Sub-Facility 1</u>: <u>CAD $3,000,000 Overdraft Line</u>

Revolving line available to support the Borrower's daily working capital requirements subject to Margin Conditions.

Line may be availed in Letter of Credit (CAD 500,000) or USD (USD 1,000,000) as required.

Interest Rate: Prime + 0%
BA + 1.25%
US Base Rate + 0%
LC 1.25% per annum fee

Margin Conditions:

a) 75% of <90 eligible Canadian and USA receivables; plus
b) 75% of inventory including liquor excluding perishable items; plus
c) 50% of perishable inventory; plus
d) 75% of book value of unencumbered equipment; less
e) Priority payable

Sub-Facility 2: CAD $2,000,000 Clean Import Line (CIL)

Revolving line to assist in financing inventory from approved sellers available in multiple draws, subject to Draw Conditions.

Interest Rate: Prime + .25%
Draw fee CAD $250/draw

Draw Conditions:

a) Eligible purchases subject to Bank pre-approval and to be supported by executed purchase orders of product or service acceptable to Bank
b) Appropriate event licensing to be evidenced prior to draw
c) Appropriate insurance assigned to Bank to be in place prior to draw
d) Advances limited to100% of the purchase order amount
e) Maximum term set on event by event basis and generally not to exceed 60 days
f) All proceeds from sale of product or service to be deposited directly to Bank or indirectly through third party service provider (such as an armored courier)
g) Minimum draw CAD 250K
h) Other draw conditions may apply

B) Revolving Equipment Loan: CAD $5,000,000

Loan will be available annually to support the Borrower's capital requirements.

Interest Rate: Prime + 0%
BA + 1.25%
Fixed rate options available
Draw fee waived

Draw Conditions:

a) Eligible assets may be financed at 100% of pre-tax costs
b) Minimum annual payment lesser of loan balance or CAD 1,000,000
c) Interest is due monthly
d) Minimum draw CAD 200K
e) Limit subject to annual review and confirmation
f) Other draw conditions may apply

C) Construction Loan (Food Services – Mosaic Stadium): CAD $4,000,000

Loan will be available as a construction loan commencing spring of 2015 with final advance by February 28, 2017 (the "Construction Period").
Loan will convert to a regular term loan effective March 01 2017 for a maximum amortization of ten years (the "Repayment Period").

Interest Rate: Prime +0%
BA + 1.25%
Fixed rate options available
Draw fee waived

Draw Conditions:

a) 100% financing of pre-tax costs as detailed in an approved budget.

b) The Loan may only be advanced during the Construction Period.
c) Interest is due monthly except during the Construction Period during which time interest is capitalized,
d) Conventional construction draw conditions and terms apply during the Construction Period
e) The Holdback account must be placed with HSBC.
f) All draws are subject to satisfactory progress reports as approved by an external reviewer acceptable to the Bank.
g) Minimum draw amount is CAD 200K
h) Skip-payment principal payment arrangement with five on (July to November) and seven off to match football season. Payments commence July 2017.
i) Other draw conditions may apply

D) <u>Interest Rate Swap Line</u>: CAD $700,000

Line is available to accommodate the fixing of interest rates for term loans

Draw Conditions:

a) Execution of an acceptable ISDA Master Agreement and Schedule
b) Other terms and conditions as stipulated by Treasury

E) <u>MasterCard Corporate Expense Program</u>: CAD $100,000

Assist with travel, entertaining, and small ticket purchases

Terms:

a) As stated in Cardholder Agreement
b) Full revolvement monthly

F) <u>Foreign Exchange Line</u>: CAD $200,000

Forward hedge USD foreign exchange requirements

Terms:

a) Up to 12 month forwards
b) Daily settlement limit of CAD 200K

<u>General Security</u>:

a) First Position General Security Agreements
b) Suitable Support from City of Regina
c) Priority and Postponement Agreement from City of Regina, if required
d) CIL Agreement
e) Assignment of all risk insurance

<u>Financial Covenants</u>:

Calculated quarterly from in-house interim and audited financials of the Borrower.

Debt* to Tangible Net Worth 3:00:1

*Debt is to exclude Deferred Grants from liabilities

Debt Service Coverage Ratio** 1.10:1
**EBITDA to exclude Deferred Capital Contribution Recognized from calculation

General Conditions:

a) The Bank's prior written consent is required for the following:
   - Any purchase or sale of assets outside the ordinary course of business;
   - Granting of additional encumbrances or incurrence of additional funded indebtedness;
   - Changes in ownership or corporate structure of the Borrower;
   - Declaration of any management bonus or dividend, repayment of any shareholder loans or any other form of distribution that were to place the Borrower in breach of their financial covenants.

b) Standard positive and negative pledges.

Conditions Precedent:

a) Bank's satisfactory review of current operating agreement and facility lease agreement with City of Regina
b) Evidence of Borrower's authority to borrow
c) Borrower's compliance certificate as at year-to-date confirming compliance with covenants prior to first advance.
d) Standard due diligence by the Bank, including review of corporate documentation, shareholders agreement, and other documentation as requested by the Bank.
e) Legal Counsel's preparation, registration, and review of all security documentation.
f) There shall not have occurred any event, action, or condition of any nature whatsoever, which, in the sole opinion of the Bank, could materially adversely affect the business, operations, assets, or affairs of the Borrower.

Reporting Requirements:

a) Annual audited financials of Borrower within 120 days of year end
b) Quarterly lenders report to include in-house balance sheet, income statement, and covenant compliance certificate.
c) Quarterly margining report
d) Annual financial projections on Bank's request
e) Annual capex plan on Bank's request

Up Front Fee: CAD $25,000. 75% refundable on first draw, 100% refundable on Bank decline.

Standby Fee: Waived based on anticipated utilization and deposit balances

Administrative Fees: Annual Review CAD $1,000
Administration CAD $100/month

All costs associated with this transaction, including legal costs, shall be for the account of the Borrower.

This term sheet is for discussion purposes only and should not be interpreted as a commitment to finance.

Upon receipt of the Borrower's up-front fee and acceptance of this term sheet, the Bank will endeavor to provide a financing commitment substantially as outlined above. This proposal lapses February 06, 2015.

Thank you for providing HSBC Bank Canada the opportunity to consider your banking business and we look forward to your response. If you have any questions or concerns about any aspect of this proposal, please do not hesitate to call.

Yours truly,
HSBC BANK CANADA

Doug Yaremko AVP, Commercial Banking	Greg Rathgeber AVP, Commercial Banking

Accepted this ____ day of _____________, 2015

BORROWER:
The Regina Exhibition Association Limited

Per: ________________________________

Per: ________________________________