

November 14, 2018  
December 5, 2018

To: Members  
Executive Committee

Re: The Towns (South East Lands) Development Project – Status Update

---

RECOMMENDATION

**RECOMMENDATION OF THE EXECUTIVE COMMITTEE  
- OCTOBER 10, 2018**

That this report be forwarded to the November 26, 2018 City Council meeting for approval.

*EXECUTIVE COMMITTEE – OCTOBER 10, 2018*

The Committee adopted a resolution to concur in the recommendation contained in the report.

Mayor Michael Fougere, Councillors: Bob Hawkins (Chairperson), John Findura, Jerry Flegel, Jason Mancinelli, Joel Murray, Mike O'Donnell, Andrew Stevens and Barbara Young were present during consideration of this report by the Executive Committee.

The Executive Committee, at the **PRIVATE** session of its meeting held on October 10, 2018, considered the following report from the Administration:

RECOMMENDATION

That this report be forwarded to the November 14, 2018 public meeting of Executive Committee and the November 26, 2018 meeting of City Council for approval.

CONCLUSION

Development within the City owned South East Lands continues to move forward. At the beginning of the development, there was strong market activity and the development was accelerated to capitalize on this opportunity. Currently 332 lots have been developed in Phase 1 with 25 lots remaining in inventory. Additional lots will continue to be developed within Phase 1 and further development will continue into Phase 2 as appropriate.

The development is currently generating expected revenues, with the net profit realized once all the development is complete. Land development provides the City with an additional source of revenue outside of property tax and user fees.

The rate of development of the Towns will be based on the market conditions and will continue over a number of years. To date, the development has been successful meeting potential revenue and profit potential.

## BACKGROUND

### The Purchase of SHC Lands

In 1974, the Federal and Provincial Governments purchased land for the dedicated purpose of building housing. There was a “Land Holding and Development Agreement” for land in South East Regina and North West Regina. The purpose of the Land Holding and Development agreement was for the acquisition and holding of the land for housing and related purposes. In 1976, the City of Regina (City) became party to additional agreements that The Saskatchewan Housing Corporation (SHC) administered and a subsequent agreement which detailed that the parcels of land were to be developed as appropriate.

Through these two agreements, the Province was on title for 95% ownership of the land and the City had a 5% interest in the land registered on title. The agreement further provided for the City to receive 25% of the net profits of development of the lands developed by SHC. In 1995, the agreement was amended to provide the City with 75% of the net profits, providing the money was spent on specific housing projects approved by SHC.

Due to changes in the Federal and Provincial funding for social housing in 2001, the agreement was amended at the request of the City to provide the funding directly to the Social Development Reserve. Because of this change, the City was required to make annual requests for funding to the reserve to meet the commitments of the City’s social housing incentive programs.

Two parcels of land under this agreement were the South East Lands and the North West Lands. As per the agreement, the Province could not sell the South East Lands without the agreement of the City. An amendment made in 1996 allowed the sale of the North West Lands without City approval. The City did retain a first right of refusal on the North West Lands. In report CR08-122, Council was notified of the Province’s intention to sell and Council approved the decision not to exercise the option of first right of refusal on the North West Lands.

In 2012, Council was presented with the opportunity to purchase the South East Lands, consisting of approximately 238 acres. On August 20, 2012, City Council approved the acquisition of the South East Lands from SHC for \$7.825 million (CR12-126). Funding was provided by way of \$7.3 million from the Social Development Reserve and \$0.525 million from the General Reserve Fund. The acquisition was a result of SHC exiting the partnership agreement with the City, where land had been acquired for future housing development. The purchase of the land committed the City to continue to develop the land or sell it back to SHC, as they retained the first right of refusal.

### Contracting a Land Development Manager

Following the approval to purchase the South East Lands, development strategy options were investigated including: selling the un-serviced land (if SHC chose not to use their first right of refusal), entering into a joint venture to develop the land, contracting a land development manager, or developing the land utilizing City resources.

Selling the land presented the lowest risk but would miss the opportunity to capture the profit created by developing the land. A joint venture would share the risk and potential profit with a partner and would allow the City to participate at different levels of involvement and investment. The land development manager option would allow the City to control the development of the land and utilize the expertise of an experienced development manager. The final option available was for the City to act as the project manager utilizing internal staff to oversee all aspects of the development.

The City selected the land development manager option. The development manager would oversee the concept plan, coordinate servicing (streets, roads and utilities), complete the subdivision application process, and market the lots. The City would be required to provide the capital but would control the pace of the development. The City would then realize a profit from taking raw land to saleable lots, after the development costs and a fee paid to the development manager.

On March 23, 2015, City Council approved proceeding with an external land development management service (CR 15-28) for the South East Lands within the 235,000-population growth scenario as identified in the Official Community Plan (OCP). Through a Request for Proposal (RFP), Terra Developments Inc. (Terra) was awarded and entered into the contract to act as development manager for the City owned lands on September 17, 2015. The land management agreement entered into, as result of the RFP, incorporated the RFP into the contract as well as set out the remuneration to Terra and the responsibilities of each party to the agreement.

Terra's contract includes a full-service team approach to the development, that provides all services from planning, engineering, and all the necessary infrastructure contractors. The services provided by the Terra team are delivered at cost to the City with Terra receiving a management fee based on sales as their only payment. Terra works under the direction and approvals of the City as per the contract and the approved yearly business plans to sell the lots at market value.

Terra is managing all work in the Towns within the original approved budget and subsequent annual business plan budgets. Terra's team prepares the development construction packages and verifies that all construction cost proposals are within the estimate of probable costs. Following the cost verification of construction proposals, Terra seeks the City's approval to enter into an agreement for the work.

### DISCUSSION

The purpose of this report is to provide an update on the progress of this project. The entire South East Lands site is approximately 248 acres, with approximately 138 acres within the

235,000-population scenario in the OCP and the remainder in the 300,000-population scenario in the OCP. The 138-acre neighbourhood has been named the Towns and Terra has been contracted to manage the development for the City. The Towns is part of the overall neighbourhood planning process. This process was completed in cooperation with several other property owners who held land within the Southeast Neighbourhood Plan (SENP) area, which is an OCP approved neighbourhood plan.

Appendix A shows the Towns lands which consist of Phases 1 and 2, and within Phase 1 Stages A through H. Phases and Stages are used to manage the development in segments over several years and in response to the market. The Towns development is proceeding as approved by Council and progressing as outlined in the business plans. In the development of Stages there is a balance between the cost implications for scales of economy for the construction work and building out at the speed of the market so that investments, returns, cash flows and risks can be managed.

Within Phase 1, 64 acres are being developed and work has progressed on the off-site servicing requirements as well as on the on-site underground services. All development work has been completed in Stages 1 A, B, C and D and costs are within the budgeted amounts. Development continues within Stages 1E and F but at a slower pace in response to current market conditions. Some preparation work is planned for 1G to ensure that this stage is ready for the market when required.

The lots in land development are typically marketed to builders through option agreements. The builders option the lots and, as the lots are completed with services, they would exercise the option to complete the purchase and build on the lots. The timing of the closing date of the sale of the lot is driven by the completion of the lot, the builder's pace of building, and selling of homes.

Business plans up to and including 2018 have been received, reviewed and approved by City Administration. The plans provide the parameters under which Terra will operate, including the following:

- Overall projected/updated budget for 138 acres;
- Budgets and business plans for 2016, 2017 and 2018;
- Common cost budget that provides the cost shared with other landowners in the secondary plan;
- Overview of the land use; and
- Sales and marketing strategy.

The 2016 business plan originally called to develop 76 lots, however interest was higher than anticipated resulting in 276 option agreements being signed. This was achieved by an acceleration of the development that allowed the first three Stages (Stage 1A, 1B and 1C) to be started in 2016. There are 332 developed lots in stages 1A through 1E, of which 243 lots have option agreements in place, 64 lots have received final payout, leaving an inventory of 25 lots. One large multi-family parcel has also been optioned as a part of Stage 1C.

In 2018, the market slowed down, and in progress development work is continuing to support current option agreements. New development is being carefully managed to not create over supply in the market. Some development preparation will continue, with in progress work and minor work such as site grading to be ready for future stages. Due to the market slowdown, current contractor pricing has been lower than expected, resulting in good value. Preparation work is being considered on a selective basis.

#### Commercial Development in the Towns

The SENP was developed with the concept for a commercial hub. This hub is outside but adjacent to the Towns lands. A market opportunity to explore some local commercial development within the Towns lands has been under consideration and is in progress. This opportunity is being reviewed within the City's regulatory concept plan amendment process.

### RECOMMENDATION IMPLICATIONS

#### Financial Implications

The City of Regina has currently invested \$35.6 million in the Towns Project. This includes \$7.5 million in land acquisition costs for 238 acres from SHC. The City owned an adjacent ten-acre abandoned rail spur prior to the purchase resulting in 248 acres that make up the total area for the Towns. At the end of the second quarter of 2018, June 30, 2018, the City had option agreements totalling \$40 million. The City has received \$10 million in sales receipts and option payments. Revenue expected to December 2018 is \$9 million with \$21 million receivable in 2019 and beyond. This investment retains significant land value beyond the current option agreements and has the potential to be realized over a number of years (Phase 1 & 2 - 235,000-population lands, and future 300,000-population lands).

Land development revenues continue to be reinvested in the Towns with a potential investment of approximately \$15 million per year until completion. The development pace will be managed prudently based on current market conditions.

In 2015, when the land development manager contract was executed, the development of approximately 138 acres (Phases 1 & 2) was anticipated to have gross revenues of \$140 million and net profit of \$28 million. The Phase 1 and 2 anticipated completion date of 2024 is subject to market conditions and demand. As with all land development projects, the net profit from the Towns will not be realized until all sales have been completed as revenues from options/sales are reinvested into the development. Currently projected net profits are meeting expectation and current market risks are being managed to protect the City's interests.

#### Environmental Implications

None with respect to this report.

#### Policy and/or Strategic Implications

Land development has allowed the City to generate revenue from other sources other than taxation.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

Additional information will be provided to the public through City Council updates as the project progresses.

DELEGATED AUTHORITY

There is no delegated authority as this report is for informational purposes only.

Respectfully submitted,

EXECUTIVE COMMITTEE



---

Jim Nicol, Secretary