

The Towns Annual Report

Date	May 13, 2020
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Land & Real Estate
Item No.	EX20-17

RECOMMENDATION

It is recommended that Executive Committee:
Receive and file this report.

ISSUE

The purpose of this report is to provide an update on the financial results for 2019 and current development activity of The Towns South Land Development Project (Towns).

IMPACTS

Although the recent economic downturn continues to place downward pressure on the financial performance of the Towns South, 2019 was a financially successful year. The 2019 success is not viewed as representative of the total project performance as demand for new housing continues to decrease.

Efforts are underway to drive aesthetic improvements and efficiency that support the overall goal of community building and therefore marketability and profitability.

OTHER OPTIONS

None with respect to this report

COMMUNICATIONS

None with respect to this report

DISCUSSION

The Towns was initiated in 2012, with the acquisition of lands in South East Regina formerly known as the Saskatchewan Housing Corporation (SHC) Lands. The purchase of the land committed the City to continue to develop the land or subsequently sell it back to SHC, as SHC retained the first right of refusal.

Following the approval to purchase the South East Lands, development strategy options were investigated including selling the un-serviced land, entering into a joint venture to develop the land, contracting a land development manager or developing the land with internal City resources.

In March 2015, City Council approved proceeding with an external land development consultant (CR-28) for the Towns South. In September 2015, through a Request for Proposal process, Terra Developments Inc. was awarded the development consultant contract.

Subsequent to Secondary Plan and Concept Plan approvals in 2015, under the guidance of Terra, physical infrastructure construction and investment of the Towns Neighbourhood development started in Spring 2016. Marketing and the sale of serviced lots was initiated in late 2015.

The Towns is divided into two concept plan areas: the Towns South and the Towns North. The Towns South comprises 137.1 acres and is currently approved for development within the City of Regina's 235K Growth scenario. The Towns North is 110.1 acres and is part of the 300K Growth scenario. Subject to market conditions, the anticipated build-out year for the Towns South is 2030. This estimate is based on 70 lot sales per year. It is noted that long term market conditions are very difficult to anticipate, and this estimate will vary.

Financial Results for the year ended on Dec. 31, 2019

Revenue	\$ 6.76 M
Cost	\$ 5.55 M
Net Income	\$ 1.21 M
Return on Revenue	17.9 %

The 2019 sales revenues are based on 34 lot sales and one multi-family parcel closing. 2019 represents a financial improvement over prior years. This is primarily a result of savings achieved through the completion of some of the initial stages of development.

Contingencies and other budgeted items were ultimately not required in these stages and have been recognized as income. Conservative budgeting was required in the early stages as some of the development costs were uncertain.

Administration cautions that although 2019 was a strong year, overall projections remain tight as currently there is downward pressure on revenue.

The 2016 original financial projection estimated the following:

Revenue	\$ 142.1 M
Cost	\$ 113.6 M
Net Income	\$ 28.5 M
Return on Revenue	20.1 %

Current Total Financial Projection (as of Dec. 31, 2019):

Revenue	\$ 115.2 M
Cost	\$ 108.2 M
Net Income	\$ 6.9 M
Return on Revenue	6.0 %

Financial Results from project inception to Dec. 31, 2019:

Revenue	\$ 21.31 M
Cost	\$ 18.78 M
Net Income	\$ 2.53 M
Return on Revenue	11.3 %

Total inventories to December 31, 2019 are noted below:

Lots Sold	163
Lot Deposits	148
Unsold Inventory	77
Total Lots Produced	388

Lots are generally developed on a pre-sale basis, however it is not uncommon to develop a stage of lots without having all the lots pre-sold. The net result is unsold inventory. To the end of December 31, 2019, there were 77 lots of unsold inventory. This represents a supply of approximately 14 months. Under normal market conditions, a one-year supply is considered healthy. Developed, unsold lots are sold to builders on an as need basis.

Multi-Acre Parcel Inventory

Parcels Sold – 2019	3.7 acres
Parcel Deposits	2.1 acres
Available Parcels	0 acres

In August 2016, an option agreement was entered into with North Ridge Developments for multi-family Parcel “H” in Stage 1C for 3.7 acres. This parcel closed in the 2019 fiscal year and is reflected in the overall results. An option agreement is in place with a local developer for commercial Parcel J1, for 2.1 acres (*Map Appendix A*). This option is anticipated to close in July 2020.

Current Development Activity

1. *2020 Development Program*

Significant servicing of land is not contemplated for 2020 as the demand for serviced land remains very low. As noted above, an option agreement is in place for sale of the Commercial Parcel J1 in Phase 1 – Stage FA to a local commercial developer. Upgrades to Woodland Grove Drive are contemplated as part of the servicing for this Parcel. Servicing of the land is scheduled for completion in summer 2020. As well, in conjunction with Parks, Recreation & Cultural Services and Terra, planning and design of Municipal Reserve 4 (MR4) is underway. MR4 will be the first park built in the Towns with construction anticipated to start in 2020 and being complete in 2021.

2. *Development Strategy*

As noted in the 2018 Towns Annual Report (EX-20-4), the recent weakening of the economy and housing market has driven a change in development strategy. Efforts are currently focused on improving neighbourhood character, including improvements to street and block layout, landscaping and architectural controls. These efforts are underway and anticipated to be complete by the end of 2020

DECISION HISTORY

None with respect to this report

The recommendations contained within this report are within the delegated authority of the Executive Committee.

Respectfully Submitted,

Respectfully Submitted,



Shauna Szdel, Assoc. Dir., Financial Strategy & Sustainability



5/4/2020 Barry Lacey, Exec. Director, Financial Strategy & Sustainability 5/7/2020

Prepared by: Paul Moroz, Manager, Land Development

ATTACHMENTS

Appendix A - Towns 2019 Update Map