

## Low-Density Residential Presale Lot Allocation Process – Aspen Ridge/Brighton

### ISSUE

Saskatoon Land is requesting approval to pilot a new presale lot and block allocation process. Low-density residential blocks in the Aspen Ridge and Brighton neighbourhoods will be serviced and subdivided in accordance with agreed-upon sales terms with qualifying Eligible Contractors (contractors).

### RECOMMENDATION

1. That the Administration be authorized to pilot a presale process of unsubdivided and unserviced lot blocks in one future phase of Aspen Ridge and Brighton neighbourhoods (as shown in Appendix 1) through an open market (standard terms) sales approach;
2. That if the lot blocks are not sold through the pilot presale process, they be subdivided and offered to Eligible Contractors in a multi-lot allocation or lot draw process;
3. That any lots remaining from these allocations be offered for sale over the counter on a first-come, first-served basis;
4. That the Administration be authorized to administer architectural controls on the subject properties; and
5. That the City Solicitor be requested to prepare the Presale Agreements and subsequent Agreements for Sale and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

### BACKGROUND

Saskatoon Land has developed sales methods that reasonably satisfy small-volume lot purchasers (less than or equal to 5 lots per year) and those that are considered medium-volume lot purchasers (less than or equal to 20 lots per year). This has been achieved through both the lot draw process and the multi-lot allocation process. All contractors in good standing may be allocated lots through either sales process.

During the Saskatoon Land Audit when analyzing risk management protocols, the Internal Auditor suggested that Saskatoon Land could implement additional measures to further manage risk, including utilizing lot presales in order to “lock-in” future land sales. Since the audit results were received by the Standing Policy Committee on Finance at its August 14, 2017 meeting, the Administration has been exploring the presale lot allocation option as a risk mitigation tool and an opportunity to maintain market share in the current market.

At its January 23, 2017 meeting, City Council approved the open market (standard terms) sales approach as a method for Saskatoon Land to allocate groups of single-family lots to contractors. The report indicated that this approach may be beneficial when conditions warrant innovative solutions to offer lot inventory in slow markets.

## DISCUSSION/ANALYSIS

One segment of the market that has not been fully satisfied under the existing lot allocation processes is the contractors who are capable of purchasing and building on large volumes of lots. The success of this market segment depends on a structured business model producing a high volume of affordable homes with exacting lot sizes. Saskatoon Land proposes to presell entire block faces to large-volume lot-purchasing contractors. Qualifying contractors will be required to purchase a minimum of one block face (approximately 20 lots) or division thereof, depending on block size. The successful contractor will supply Saskatoon Land with the required lot configurations. Saskatoon Land will subdivide, service, and rezone these properties in accordance to the contractor's specifications and in accordance with the Neighbourhood Concept Plan or amendments thereof.

To test this allocation method, the Administration is recommending the implementation of a pilot presale process on select blocks within the next phases of Aspen Ridge and Brighton neighbourhoods. Remaining lots within the respective phases will be sold through typical allocation processes (Appendix 1), providing opportunity for small- and mid-size builders to acquire inventory.

Offers from contractors in good standing with Saskatoon Land will be accepted and evaluated for a limited time period. A base list price of \$12,200 per front metre is recommended for the offer release. Slight adjustments to the base list price will be made for specific locational characteristics of each block face. Appendix 2 indicates the standard terms under which offers on the parcels will be considered and evaluated by Saskatoon Land. Appendix 3 outlines the general structure of the presale allocation process.

A non-refundable down payment will be required on offer acceptance, with additional payments required upon servicing completion and building permit application for each subdivided lot. Specific payment terms for the balance owing and build time requirements on the lots will be negotiated at the time of possession and will be consistent for all contractors who enter into Agreements for Sale.

If the City of Saskatoon (City) is unable to meet agreed-upon timelines for subdivision, zoning, and servicing completion, deposits may be refundable upon purchaser request.

After the initial offer period, unsold blocks will be subdivided, serviced, and sold by multi-lot allocation or regular lot draw allocation methods. Offers received from contractors on the same blocks will be evaluated by Saskatoon Land using the following criteria:

No.	Category	Weighting (%)
1	Offer price	40
2	Demonstrated home-building experience	20
3	Financial capacity	20
4	Quality and conformance with respective architectural controls	20
<b>Total Points</b>		<b>100</b>

The first component of pricing would be scored by (offer price/highest offer price) x 40 = price points.

Consistent with Council Policy No. C09-033, Sale of Serviced City-Owned Lots (Policy), all offers accepted by Saskatoon Land under the open market (standard terms) sales approach will be conditional upon approval of the Chief Financial Officer.

Similar to all other lot sale allocation methods, constructed homes in the presale areas will be subject to architectural controls. Saskatoon Land will require an architectural control evaluation for all building plans in Aspen Ridge. In the Brighton neighbourhood, Saskatoon Land will use similar architectural controls as are currently applied by Dream Development Corporation.

In the current market, Saskatoon Land has been exploring various sales approaches and incentives aimed at reducing overall inventory and increasing the prospect of sales in future development phases. This pilot presale process will enable Saskatoon Land to:

- obtain commitments for future sales, which reduces the risk of future investment in infrastructure;
- satisfy the business models of larger-volume building firms; and
- promote affordable housing choices within low-density housing types.

An information package regarding the presale process was distributed to all contractors on December 11, 2019, and an open house was held by Saskatoon Land for interested builders on December 16, 2019. No significant concerns were raised by contractors during the information session or by email.

The Saskatoon and Region Homebuilders' Association was advised of the pilot program, and are supportive of this sales approach.

### **FINANCIAL IMPLICATIONS**

Proceeds from the sales received through the presale method will be deposited into the relevant Aspen Ridge or Brighton Neighbourhood Land Development Fund.

### **OTHER IMPLICATIONS**

#### Policy

Policy allows new residential lots to be sold in bulk groupings to contractors through a public tender process or through an open market (standard terms) sales approach. Approval of the sale of lots under Policy is delegated to the Standing Policy Committee on Finance. Allocating land parcels through presale is not specifically identified as a sales process in Policy; therefore, the Administration will be requesting City Council approval of the pilot presale process. The experience gained through the pilot process will help inform amendments to the Policy that may be required for continued use of the presale method in the future.

Legal

Legal implications, such as the content of the Presale Agreements, will be determined in consultation with the City Solicitor's Office under the tenets considered in this report.

There are no privacy, social or environmental implications identified.

**NEXT STEPS**

If the pilot presale process is approved, Saskatoon Land will distribute Open Market Presale Application packages to all contractors in good standing for review and consideration. Applications will be accepted over a period of 30 days. After review/acceptance of offer submissions, allocation of blocks will be offered to contractors, and the Administration will proceed with subdivisions, infrastructure installations, and zoning requirements to accommodate desired lots.

Servicing, legal subdivisions, zoning, and lot possessions for the desired lot configurations will be completed as follows:

- Aspen Ridge:
  - grading, water, and sewer in 2020;
  - roadways and shallow utilities in 2022; and
  - subdivision, zoning completion, and lot possession in 2022.
  
- Brighton:
  - grading, water, and sewer in 2021;
  - roadways and shallow utilities in 2022; and
  - subdivision, zoning completion, and lot possession in 2022.

Upon completion of the pilot presale process, the Administration will report further on the results, and prepare any required Policy amendments for consideration by the Standing Policy Committee on Finance and City Council.

**APPENDICES**

1. Presale Lot Allocation Maps
2. Standard Terms and Conditions for Presales
3. Draft Presale Allocation Pilot Project Flow Chart

**REPORT APPROVAL**

Written by: Derek Thompson, Land Development Project Manager  
Jeremy Meinema, Finance and Sales Manager

Reviewed by: Frank Long, Director of Finance

Approved by: Kerry Tarasoff, Chief Financial Officer