

Low to Medium Density Residential Parcels – Pilot Presale Allocation Process – Kensington

ISSUE

Saskatoon Land is requesting approval to allocate selected blocks and parcels in the Kensington neighbourhood through a presale allocation process. As this form of presale is not specifically identified as a sales process in existing Policy, City Council approval is required. Administration will use the experience and information gained through this and previous pilot allocations in Aspen Ridge and Brighton to inform future Policy amendments expected to be brought forward for consideration by the Standing Policy Committee on Finance and City Council in late 2022.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That Administration be authorized to extend a pilot presale process of unsubdivided and un-serviced parcels in one future phase of Kensington through an open market (standard terms) sales approach;
2. That if the parcels are not sold through the pilot presale process, they be offered through a multi-lot allocation, lot draw, or tender process;
3. That any parcels remaining from these allocations be offered for sale over the counter on a first-come, first-served basis;
4. That 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

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, 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 14, 2020 meeting, City Council approved a pilot project for a new presale lot and block allocation process for low density single family residential development. This type of sales approach allowed large volume builders of market homes to be able to acquire specific lot sizes and arrangements which suit their business models. The initial pilot worked well for single family lot releases, however, to date the process has not been applied for the release of multi-family and townhouse style projects.

DISCUSSION/ANALYSIS

To inform potential policy amendments, Administration is recommending a continuation of the pilot presale process on three block faces and inclusion of two larger parcels from a portion of parcel NW 35-36-06-3. The initial trial presale process served a market segment of builders with capacity to produce a relatively high volume of attached or detached housing styles that require specific lot widths. The proposed Kensington pre-sale expands on the previous Aspen Ridge and Brighton pre-sales by including larger multi-family parcels in addition to full block faces zoned to accommodate townhouse, duplex and semi-detached building forms.

Saskatoon Land proposes to pre-sell three entire block faces and two large parcels to eligible builders in good standing. Qualifying builders will be required to purchase a minimum of one block face or parcel. For each allocated block face, the successful builder will supply Saskatoon Land with the required lot configurations. For the large parcel sites, proponents will supply site plan configurations and roadway crossing/access points. Saskatoon Land will subdivide and service the properties in accordance with the contractor's specifications and with minor changes being proposed to the Neighbourhood Concept Plan.

Remaining parcels not allocated through the presale will be sold through typical allocation processes (see Appendix 1), providing opportunity for other builders to acquire inventory.

Offers from builders in good standing will be accepted and evaluated for a limited period. A list price of \$12,200 per front metre is recommended for the offer release of proposed blocks O, P and Q and a list price of \$800,000 per acre is recommended for proposed parcels N and R. For the standard terms under which offers on the parcels will be considered and evaluated by Saskatoon Land (see Appendix 2). Outlines of the general structure of the presale allocation process is noted in Appendix 3.

Offers received from contractors on same blocks or parcels 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
Total Points		100

The first component of pricing would be scored by $(\text{offer price}/\text{highest offer price}) \times 40 = \text{price points}$.

For all parcels, a non-refundable down payment will be required on offer acceptance. Specific payment terms for the balance owing on the lots will be negotiated with the successful proponent(s) and will be generally consistent for all contractors who enter into Sale Agreements. If the City of Saskatoon is unable to meet agreed-upon timelines for subdivision, zoning and servicing completion, deposits may be refundable upon purchaser request.

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 Kensington.

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 on infrastructure;
- Satisfy the business models of contractors; and
- Promote affordable housing choices within low to medium density housing types.

After the initial offer period, unsold blocks and parcels will be subdivided, serviced and sold by lot draw, multi-lot allocation or regular tender method. To remain consistent with City Council Policy No. C09-033, Sale of Serviced City-Owned Lands (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.

FINANCIAL IMPLICATIONS

Proceeds from the sales received through the presale method will be deposited into the Kensington Neighbourhood Land Development Fund.

OTHER IMPLICATIONS

Policy

Policy allows new multi-unit parcels to be sold to contractors through a public tender process or through an open market (standard terms) sales approach. Approval of the sale of parcels 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, Administration is requesting City Council approval for the continuation of the pilot presale process. The experience gained through the pilot process will help inform amendments to the Policy which will be required for continued use of the presale method in the future.

Legal

Legal implications, such as 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 and parcels will be offered to contractors, Administration will proceed with subdivisions, infrastructure installations and zoning requirements to accommodate desired lots, if necessary.

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

- Grading, water and sewer in 2022;
- Roadways and shallow utilities in 2022; and
- Subdivision, zoning completion and lot possession in 2023.

Upon completion of the pilot presale process, 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 Map
2. Standard Terms and Conditions for Presales
3. Presale Allocation Pilot Project Flow Chart

REPORT APPROVAL

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