

Amendments to City Council Policies C09-001, C09-006, and C09-033 to allow Presale of Low-Density Residential Blocks or Lots

ISSUE

Saskatoon Land was granted the ability to explore and utilize a different approach to bringing residential lots to market in 2020 as a pilot program. Due to the success of the piloted approach, Saskatoon Land is requesting approval to include the new allocation approach in City Council policies to be able to use it as desired in future releases of residential land to the market.

RECOMMENDATION

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

1. That Council Policy C09-001 Residential Lots Sales – Contractor Allocations, Council Policy C09-006 Residential Lot Sales – General Policy and Council Policy C09-033 Sale of Serviced City-Owned Lands be amended to include previously piloted land release approaches into policy; and
2. That the City Clerk be requested to amend Council Policy C09-001 Residential Lots Sales – Contractor Allocations, Council Policy C09-006 Residential Lot Sales – General Policy and Council Policy C09-033 Sale of Serviced City-Owned Lands as outlined in the report and corresponding attachments.

BACKGROUND

Saskatoon Land has developed sales methods that reasonably satisfy small-volume lot purchasers (less than or equal to 5 lots per year) and 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 (SPC) 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 14, 2020 meeting, the SPC on Finance approved the Administrations request to pilot a presale process of unsubdivided and unserviced blocks in a phase of Aspen Ridge and Brighton neighbourhoods (Appendix 1). The presale pilot requested offers from contractors in good standing over a limited time period for specific blocks

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identified in the phase. Standard terms for the allocation of the presale blocks were approved by City Council, with the following notable terms and conditions:

- A base list price of \$12,200 per front metre with slight adjustments made for specific locational characteristics of each block face.
- A non-refundable down payment required on offer acceptance.
- Specific payment terms for the balance owing and build time requirements on the lots to be negotiated at the time of possession and were generally consistent for all contractors who enter into Agreements for Sale.
- The purchaser shall have the right of possession upon the effective date of the Agreement for Sale.
- Proposed development on lots to be reviewed for consistency with Saskatoon Land's architectural and development controls for each neighbourhood.

The following criteria was used by Administration to weigh offers received:

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

Appendix 2 outlines a visual of the general structure of the pilot presale allocation process.

A similar pilot was initiated in the Kensington neighbourhood April 1st, 2022 for parcels with RMTN zoning designation. While one offer for all properties released was received, an amenable sale agreement consistent with the approved terms was not reached between Saskatoon Land and the applicant contractor.

DISCUSSION/ANALYSIS

Pilot Results

Through the pilot program, Saskatoon Land had two successful applicants, Rohit Communities and Ehrenburg Homes, which secured a total of 11 parcels in the Brighton neighbourhood and eight parcels in the Aspen Ridge neighbourhood. The 11 parcels in Brighton materialized into 155 of lots, generating \$15.35M in revenue and the eight parcels in Aspen Ridge materialized into 122 of lots, generating \$11.44M in revenue. Overall, this presale approach to releasing land to larger contractors generated \$26.79M in revenue through the creation of 277 lots that will be collected from the proponents over the next two years as building permits are taken out for homes on the lots.

It should be noted that the Pilot Low Density Presale was held in February- March of 2020 (the onset of the Covid 19 pandemic). Had the presale release not been impacted

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by this significant health crisis, Administration believes several additional applications from more eligible contractors would have been received.

This new approach to accommodate larger volume contractors serves advantages to both contractors and Saskatoon Land:

- The contractor can determine the exact lot widths they need to efficiently build home models they desire to serve their customer base and maximize the use lots required for their projects;
- Large volume production builders are able to secure a satisfactory land base to affect their business models;
- Saskatoon Land can secure future revenue streams from the sale of land in City development areas; and
- There is reduced servicing investment risk to the City, as contractor commitments to purchase lots are received before investments in infrastructure are made.

With the apparent success to the pilot of the presale process and comments received from other eligible contractors in favour of this process, Saskatoon Land desires to have this option available for use in new lot allocations moving forward.

Proposed Policy Amendments

The following City Council Policies provide direction on how residential land is released to individuals and eligible contractors in Saskatoon Land Neighbourhoods:

1. Council Policy C09-001 Residential Lot Sales – Contractor Allocations
2. Council Policy C09-006 Residential Lot Sales – General Policy
3. Council Policy C09-033 Sale of Serviced City-Owned Lands

To formalize continued use of the low-density presale allocation, process the following adjustments to Council Policies are required:

Council Policy C09-001 Residential Lot Sales – Contractor Allocations

- Proposed changes to this policy were primarily housekeeping in nature. One example being, changing ‘the City’ to ‘Saskatoon Land’ to provide clarity in responsibility for the policy requirements.
- Other changes made were to ensure the cross-referencing between policies was accurate and consistent with the next two policies (C09-033 & C09-09) that had more comprehensive changes.
- The definition of what an Eligible Contractor is was expanded in this policy to align with the definition in the other two policies.

Council Policy C09-006 Residential Lot Sales – General Policy

- Proposed changes were primarily focused on adding in the Low-Density Residential (Presale) Lot Block Allocation sales process and providing the general premise around what the allocation process entails. The structure of how the information on the different lot allocation processes was updated to clearly distinguish and articulate the differences between them.
- The definition of what an Eligible Contractor is was added into the policy consistent with that identified in Council Policy C09-001 Residential Lot Sales - Contractor Allocations.
- The specific amount of the minimum deposit under 3.5 was removed to allow Saskatoon Land discretion to propose what the minimum deposit amount is on a per release basis. Deposit amounts may vary depending on the land allocation process being recommended and will be identified in land release approval reports presented to SPC on Finance.
- Additional wording and reorganization of sections is proposed to clarify sections of the policy.

Council Policy C09-033 Sale of Serviced City-Owned Lands

- The Low-Density Residential (Presale) Lot Block Allocation process was added as one of the sale processes for residential lots.
- Additionally, there was general rewording and organizing on how multiple unit residential, institutional, commercial, and industrial properties are brought to market, which is identified in section 3.2 of this policy. Proposed amendments within the policy reorganize the layout of processes currently in use including Open market (standard terms) Open market (with criteria) and public tender process.
- The definition of an Eligible Contractor was added to this policy.
- The ordering of Section 4 – Responsibilities was changed to align with how they are presented in our other policies.
- General clean up of wording, format structure of policy sections, and expanded clarifications of policy items to remove ambiguity was completed to ensure a clean and cohesive policy document.

Proposed amendments to the relevant City Council policies are outlined in Appendices 3, 4 and 5.

FINANCIAL IMPLICATIONS

There are no quantifiable financial implications anticipated from the proposed amendments at this time.

NEXT STEPS

Notification of the proposed amendments was provided to the Saskatoon and Region Homebuilders Association. If approved, the above-mentioned policies will be amended

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by the City Clerk to reflect the changes contained within the appendices. Use of the new Low Density Presale allocation process will be identified for future lot phases and be considered by the Standing Policy Committee on Finance as required.

APPENDICES

1. Map of lots allocated during 2020 Pilot Process
2. Low Density Presale Process Flow Chart
3. Amended Council Policy C09-001 Residential Lots Sales – Contractor Allocations
4. Amended Council Policy C09-006 Residential Lot Sales – General Policy
5. Amended Council Policy C09-033 Sale of Serviced City-Owned Lands

REPORT APPROVAL

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