

Acquisition of Land for Future Development – Kensington Neighbourhood ISSUE

Saskatoon Land is seeking approval to purchase 74.34 acres of land north of the Kensington Neighbourhood as shown on Appendix 1.

These lands are being sold by Launch Equities Corporation (Launch), which has recently obtained ownership of these lands from West Canadian Development Kensington Project Ltd. Saskatoon Land and Launch have been in negotiations over the last few months and have conditionally agreed to a purchase price and sale terms.

RECOMMENDATION

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

1. That Administration be authorized to purchase ISC Parcel No. 202873271 (35.08 acres), ISC Parcel No. 203954597 (15.57 acres), and ISC Parcel No. 203954474 (23.69) acres from Launch Equities Corporation for \$4,460,400.00; and
2. That the City Solicitor be requested to have the agreements executed by His Worship the Mayor and the City Clerk under the Corporate Seal.

BACKGROUND

Saskatoon Land and its co-development partners initiated the development of the Kensington neighbourhood following the approval of the Neighbourhood Concept Plan in 2012. The three primary developers included Dream Development Inc. (Dream) in the southern area of the neighbourhood, Saskatoon Land in the central area of the neighbourhood, and West Canadian Development Corporation (WCD) in the northern area of the neighbourhood. As part of the development of the neighbourhood, the developers entered into a land exchange agreement to account for the distribution of net developable land in the neighbourhood and drafted a cost sharing agreement outlining each parties' relative costs for enhancement projects and shared servicing.

Saskatoon Land views the acquisition of these Launch lands as strategic with benefits over and above expanding its ownership area in Kensington. Importantly, purchasing the Launch lands would give Saskatoon Land control over the timing of development of these lands. Further benefits are outlined below in the body of the report.

As development of the Kensington neighbourhood has progressed, Dream has developed and sold off its holdings in the neighbourhood. Saskatoon Land continues to service and sell its holdings in a phased approach to meet market demand. WCD had sold off a relatively small number of its lots before the lands were transferred to Launch.

DISCUSSION/ANALYSIS

Saskatoon Land typically acquires land in locations that are identified for future development in the medium to long-term range. At the appropriate time the lands are

brought into the development stream through the development approval and servicing process.

In the current case, the Launch lands are already approved for development and are in an existing partially developed neighbourhood, with existing off-site infrastructure servicing to the area in place. If approved for purchase, Saskatoon Land could proceed with direct servicing and sale of the first phase of these lands once it works through available inventory and completes currently planned development phases.

Saskatoon Land sees the purchase of these lands from Launch as a means of adding to its developable land inventory in Kensington and to help resolve several issues that may further complicate its ongoing development.

Purchasing the lands from Launch would benefit the City of Saskatoon's (City) Land Development business in the following ways:

- Allows for predictable and orderly development of the remaining developable lands in Kensington including the extension of Kensington Boulevard to the north, which would connect the north and south areas of the neighbourhood;
- Saskatoon Land's purchase of the Launch lands and the resulting development is likely to build confidence in the neighbourhood among builders and potential homebuyers;
- Simplifies the remaining transfer of lands between owners as outlined in the Kensington Land Exchange Agreement;
- Ensures consistency of enhancement projects and architectural standards in the acquisition area with those in already developed areas of the neighbourhood; and
- Provides more certainty with respect to timing and transitioning of future development into the proposed Elk Point neighbourhood.

A summary of the terms and conditions in the Offer to Purchase and Agreement for Sale are as follows:

- Purchase price of \$4,460,400.00, less applicable adjustments on the Closing Date, based on a price of \$60,000 per acre;
- A \$100,000.00 refundable deposit;
- Conditional upon approval of City Council by August 31, 2023;
- The Seller agrees to the clean-up and removal of concrete, building materials and related debris/garbage on the site by the Closing Date. Should the Seller choose not to complete the work, the cost of clean-up shall be deducted from the Purchase Price as an adjustment; and
- Closing Date and Possession would be 15 days following the removal of the Conditions Precedent, or a date as agreed upon by the parties.

FINANCIAL IMPLICATIONS

There are potential cost implications related to servicing of the Launch lands. Land in this part of Kensington is relatively low and would require the importation of fill material to increase elevations to allow for connections to trunk sewer systems. Saskatoon Land has been proactively exploring opportunities to address this fill deficit in anticipation of a potential purchase. Potential fill sources include excavations generated from dry pond construction throughout the City's [Flood Control Strategy](#) and/or other civic infrastructure projects which may generate excess fill material. Other typical fill sources include basement excavations from developing neighbourhoods.

The negotiated purchase price is reflective of market value considering the location of the lands within the Kensington neighbourhood and the proximity to servicing. Land acquisitions for future development are funded from the Property Realized Reserve, the purpose of which is to finance the purchase of real property for resale by the City. Sufficient funds for the purchase of this land exist in the Property Realized Reserve and the reserve sufficiency forecast remains positive with this purchase.

OTHER IMPLICATIONS

As part of Saskatoon Land's due diligence, geotechnical investigations were completed to further understand the existing soil conditions, future area grading and fill requirements.

A Phase I Environmental Site Assessment was completed in 2007 & 2008. The City's Environmental Soil Engineer reviewed the Phase I ESAs provided by the Seller and does not recommend any further environmental investigations.

NEXT STEPS

If approved, the proposed acquisitions would proceed to close and title to the Launch lands would be transferred to the City. Under City ownership, the lands would be developed as part of the Kensington neighbourhood.

APPENDICES

1. Kensington Proposed Land Acquisition Map
2. Kensington Land Exchange Map

REPORT APPROVAL

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Reviewed by: Clae Hack, Chief Financial Officer

Approved by: Jeff Jorgenson, City Manager