

Housing Accelerator Fund – Development of City-Owned Land

ISSUE

An initiative outlined in the Housing Accelerator Fund Housing Action Plan is to make City-owned land available for development to increase the supply of affordable housing. This report outlines four options for the sale or lease of City-owned lands which could be used to develop affordable housing projects on City-owned land.

BACKGROUND

Housing Accelerator Fund

The Housing Accelerator Fund (HAF) is an incentive program from the Government of Canada which supports local governments in boosting housing supply in an expedited manner. The fund is a response to the national housing crisis, and is intended to address housing supply, affordability and rising homelessness in communities across Canada, including Saskatoon. To achieve this, HAF is driving transformational change within the control of local governments by incentivising local governments to remove barriers to land use planning and development approvals.

City Council, at its Regular Business meeting on May 31, 2023, approved the [Housing Action Plan](#) for the City of Saskatoon's (City) application to HAF. The Action Plan outlined 13 initiatives intended to create more housing supply at an accelerated pace and enhance certainty in the approvals and building process. Amendments to the Housing Action Plan were approved by City Council at its [Regular Business Meeting](#) on November 23, 2023 to address requests from the Federal Minister of Housing, Infrastructure and Communities.

An initiative outlined in the Action Plan is to make available City-owned land with a focus on increasing the supply of affordable housing. Administration is not pursuing opportunities to operate or own affordable housing projects or facilities as per previous City Council direction.

The City's HAF application was approved for 940 HAF incented units. The number of HAF incented units allocated as Affordable Housing is 445. Affordable Housing is defined in Council Policy C09-002, Innovative Housing Incentives Policy, as:

“housing units that are affordable to low-income households with incomes below the Saskatchewan Household Income Maximums while spending no more than 30 percent of their income on housing.”

Other Related Reports

The Governance and Priorities Committee, at its meeting on July 18, 2022 considered a report of the Community Services Division on [Rapid Housing Initiative – Considerations for Future Funding](#) and resolved:

“That Administration report back on options for a city capital funding allocation toward the next round of RHI”; and,

“That Administration, led by Saskatoon Land, investigate and bring back options for appropriate land acquisitions in support of potential future projects and any consideration of publicly owned lands in partnership with other orders of Government.”

The City was made aware of the funding allocation for Round 3 in November 2022 and construction of this project is currently underway.

The Standing Policy Committee on Planning, Development and Community Services, at its meeting on September 12, 2022 considered a report of the Community Services Division on the [Potential Role and Responsibilities for the City of Saskatoon in Housing](#). The report provided an overview of options for the City’s role and responsibilities in housing to address emerging challenges.

CURRENT STATUS

When selling land, *The Cities Act* and Council Policies No’s C09-033 and C09-006 requires that the City sell land at market value, or that the land sale must be in accordance with City policies. A list of the City policies and Bylaws which provide guidance on the sale and lease of City-owned lands is provided in Appendix 1.

Further, the *Act* requires that if the City is selling or leasing land for less than fair market value and there has been no public offering, the sale or lease must be in accordance with the relevant City Policy, or City Council must approve a departure from policy.

Site Selection

To implement the HAF Initiative, Administration has been working to identify City-owned land suitable for affordable housing projects. There may also be rare circumstances where Municipal Reserve lands are also being considered as potential sites for redevelopment and will be reported on in a future report.

Potential sites that may be developed have been identified, are shown in Appendix 2 and listed below:

	Address	Site Size	Zoning	Potential number of units	Comments
1	52 - 25 th Street E	1.21 acres	MX2	125 to 250	<ul style="list-style-type: none">•On a BRT route•Location near rail may limit number of potential units
2	2401 Broadway	0.26 acres	R2	6 to 20	<ul style="list-style-type: none">•Corner site (Ruth Street E and Broadway Ave)•Site requires rezoning•Site would not yield a high number of units
3	1635 McKercher Drive	0.87 acres	M3	75 to 150	<ul style="list-style-type: none">•Proposed to redevelop underutilized parking lot at the Lakewood Civic Centre•Municipal Reserve

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4	155 - 3 rd Ave N and 231 23 rd Street E	0.52 acres	B6	100 to 200	•May require site preparation
5	25 - 25 th Street E	0.45 acres	MX2	40 to 60	•On a BRT route •Would remove a revenue generating parking lot from the City's holdings

Should additional sites become available for consideration, Administration will bring a follow-up report identifying these for City Council consideration.

These sites could be offered for sale or lease with set criteria at a cost based on the outcome of this report. The proposed projects must include an affordable housing element to be eligible. To ensure that ongoing reporting and affordability requirements are met, applicants will be required to enter into an agreement with the City outlining those obligations. This will be similar to the requirements that were developed for the Rapid Housing Initiative projects. Site development could include mixed market housing being both affordable and market housing and would be expected to be completed within the HAF program timeline to meet the housing unit targets.

More than one site could be selected depending on development potential for each of the sites. Criteria being considered in the review of City-owned land includes:

- A site that is ready to be developed in the immediate term with limited need for additional site preparations before construction could begin. Sites that require additional site preparations (e.g. sites that are inadequately serviced, contaminated sites) could result in delays in starting construction and could add costs to a project.
- A site that is of an appropriate size that could allow for a building that is of a large enough size to help the City meet its goals under the HAF affordable housing unit target.
- A site that is within the City's priority growth areas with easy access to transit and other services. In particular, sites within strategic infill locations, including Downtown and along Corridors.
- Preferably sites that are zoned appropriately.

HAF Initiative

The Government of Canada advised that the expected outcome from the initiative outlined in the Action Plan is for the City to develop a framework for the sale of City-owned land to deliver affordable housing. This framework would provide a long-term approach for the sale of City-owned land to deliver affordable housing while leveraging the value in the City's owned lands to maximize long-term benefits for Saskatoon and its citizens including:

- growing the affordable housing stock in the city by facilitating the development of City-owned land;

- supporting affordable housing providers who have the capacity and desire to expand their portfolios;
- working in partnership with all levels of government to deliver affordable housing options; and
- ensuring practices are financially viable, promote good governance, and are in alignment with the City's goals and policies.

Two examples of Canadian municipalities with policies specific to non-market housing land disposal are:

- 1) City of Calgary – The City of Calgary's Council Policy [Non-Market Housing Land Disposition Policy](#) allows for the sale of up to 10 parcels of surplus City-owned land for below market value to experienced non-profit affordable housing developers every two years.
- 2) City of Edmonton – The City of Edmonton Council Policy [C437A City Land Assets for Non-Profit Affordable Housing](#) establishes a clear and transparent process to utilize the City's land assets as a key tool to facilitate the provision of long-term affordable housing in Edmonton. Under this policy, Edmonton annually identifies suitable City land assets for sale or lease at less than market value to non-profit organizations for the purpose of affordable housing development.

OPTIONS

The options outline four approaches for the sale or lease of City-owned lands:

- 1) Sell properties for market value;
- 2) Sell properties below market value;
- 3) Offer properties for no cost; and
- 4) Enter into a long-term ground lease for City-owned land with housing providers.

While the selected option would be used to move forward with the sale or lease of lands in the immediate term as part of HAF, this would also provide for a framework for the sale or lease of surplus City-owned land for affordable housing beyond HAF.

All options would be supported with an incentive package funded through HAF. A public offering process would be used to determine the successful housing provider. Criteria would include ensuring that affordability is prioritized, proponent capacity, quality of site development and architecture, and that the selected builder has the capacity to meet the HAF timelines (final building permit issuance no later than December 2026).

Under all options, the City would include the following items for evaluation as part of a public offering:

- Status of organization
- Non-market housing management experience

- Development/construction experience
- Ability to leverage financial support
- Operating agreement
- Project details

Option 1 – Sell Properties for Market Value

If this option is selected, properties would be sold to affordable housing providers for market value. This option aligns with the City’s policies which would streamline the process as additional steps such as Public Notice would not be required.

Should this option be selected, the sale of land for market value may make the cost of the land unattainable for some providers. As such, the incentive package would need to be used to help off-set the cost of the land. This would provide some support to cover land costs associated with the development; however, as the incentive funding would be through HAF, this may limit opportunities to fund other priorities through HAF.

Option 2 – Sell Properties for Below Market Value

If this option is selected, the land would be sold for below market value to affordable housing providers. This approach is not in line with City land sale policies and would require public notice as per the Public Notice Policy and approval from City Council.

Should this option be selected, a reduced incentive package would be recommended due to the lower costs related to acquiring the land. This would allow for HAF funding to be allocated to other priorities.

Financial impacts of this option include:

- Sale of property below market value would reduce revenues returned to the Property Realized Reserve, which funds future development and corporate land purchases.
- If a Municipal Reserve property was sold below market value, it would reduce revenues to the Dedicated Lands Reserve, which funds park enhancements.
- The financial impact of the above based on a one-acre parcel valued at \$800,000 with discount rates of 10% to 20% would be between \$80,000 and \$160,000 per site.

In addition, a sale below market value will reduce Saskatoon Land’s administration fee collected on each sale which would impact Saskatoon Land’s operating revenue.

This option is not recommended as it is not in keeping with City land sale policies and would have longer term financial implications beyond HAF.

Option 3 – Offer Properties for No Cost

Should this option be selected, the land would be provided to affordable housing providers for no cost. Like option 2, this approach is not in line with the City’s policies and would require public notice as per the Public Notice Policy.

Should this option be selected, a reduced incentive package would be recommended as there would be no costs to acquire the land. This would allow for HAF funding to be re-allocated to other priorities.

Similar to option 2, financial impacts of this option include:

- Offering a property at no cost would reduce revenues returned to the Property Realized Reserve, which funds future land purchases.
- If a Municipal Reserve property was offered for no cost, there would be no revenues going to the Dedicated Lands Reserve, which funds city wide recreational opportunities and park improvements.
- The financial impact of the above option would be a reduction in revenue equal to the value of the parcel being offered.

In addition, Saskatoon Land will not recover the administration fee charged on sales which would impact Saskatoon Land's operating revenue.

This option is not recommended as it is not in keeping with City policies and could have longer term implications beyond HAF.

Option 4 – Long-Term Ground Lease

A long-term ground lease option has the ability to reduce the upfront capital costs associated with the development project as the developer would not be required to purchase the land or obtain financing for the land component of the project.

Through a ground lease, the City would retain ownership of the land and permit the Lessee to construct improvements on the land consistent with affordable housing policy objectives. Depending upon the specific terms of the lease, It may provide the City a further mechanism to ensure built units do not revert to market rate housing.

Depending on the terms of the lease, the City or the developer (through a built-in option to purchase) could retain ownership of the land and improvements at the end of the lease term which may serve as an incentive to an operator/developer.

The length of a ground lease term in other jurisdictions is typically in the range of 50 to 99 years but could be less depending on the goals of the parties and the negotiated terms of an agreement.

Rents for ground leases vary from project to project and are tied to the negotiated terms of the agreement.

As ground leases are less common in Saskatoon than other jurisdictions, it is unknown how the market would respond to such an offering and if the process would create limitations for affordable housing providers to obtain funding or grants. Ground Lease Agreements are complicated documents as few real estate transactions are designed to cover the entire life of the asset constructed. Administration is currently investigating use of a pilot Land lease option for non profit organizations and community groups,

which could include Affordable housing providers. Further investigation for this option is required, and as such, this option may take longer to implement than the other options.

Financial implications of this option are difficult to quantify and would be dependent on set terms within the Agreement; however, at a minimum, the City may not receive an up-front payment for the parcel, as initial payments would be structured to encourage construction of improvements at the outset of the ground lease.

RECOMMENDATION

1. That the Standing Policy Committee on Finance recommend to City Council that Administration be directed to proceed with Option 1.

RATIONALE

Administration is recommending Option 1 - Sell land for market value, as this option aligns with the City's policies. An incentive package would be developed to make the properties more attainable for providers who would not have the means to purchase the land for market value while minimizing the financial impacts from reduced land sale revenues that could occur by pursuing the alternative options.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

Municipal Reserve

Administration is exploring the option to redesignate Municipal Reserve lands for the purpose of affordable housing. Should this option be pursued, there may be additional implications to be considered under *The Planning and Development Act*.

FINANCIAL IMPLICATIONS

High-level financial details are provided in the above options and further financial implications would be outlined in future reporting.

PUBLIC NOTICE

For all options, if a site is selected which requires re-zoning, public information sessions would be conducted in accordance with standard zoning process and policies, as required under the Public Notice Policy, followed by a public hearing at City Council.

NEXT STEPS

Administration will bring a follow up report identifying the preferred sites based on the criteria noted in this report and develop a public offering with criteria and performance objectives. The site(s) will be offered for sale with scoring criteria ensuring affordability is prioritized, proponent capacity, site development and architecture, and that the selected builder has the capacity to meet HAF timelines. Options which are not selected may be further explored through the Housing Strategy.

APPENDICES

1. City Policies and Bylaws
2. Potential HAF Sites

REPORT APPROVAL

Housing Accelerator Fund – Development of City-Owned Land

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