

Property Realized and Affordable Housing Reserve Updates

ISSUE

At the June 26, 2024 regular meeting of City Council, the [Request to Receive Proposals for Sale of City-Owned Land - Housing Accelerator Fund](#) report recommended that the net proceeds of the sale of 2401 Broadway Avenue, 25 25th Street East and 1635 McKercher Drive be directed to the Property Realized Reserve (PRR) in accordance with [Bylaw 6774, The Capital Reserve Bylaw](#). At that meeting, City Council discussed the potential of diverting the net proceeds of these sales to the Affordable Housing Reserve and requested additional information prior to a decision being made.

BACKGROUND

At the [June 26, 2024 Regular Meeting](#) of City Council when considering the Request to Receive Proposals for Sale of City-Owned Land – Housing Accelerator Fund report, City Council resolved:

- “1. That the Administration report back no later than September on overall health of the Property Realized Reserve and the Affordable Housing Reserve and any future considerations for those reserves; and
2. That the reporting to include the implications of directing the net proceeds of the sales of 2401 Broadway Avenue, 25 25th Street East and 1635 McKercher Drive to the Affordable Housing Reserve.”

CURRENT STATUS

Property Realized Reserve

The PRR is governed by Bylaw No. 6774, The Capital Reserve Bylaw, 1993. As outlined in section 48(1) of the Bylaw, the purpose of this reserve is to finance the purchase of real property for resale by the City of Saskatoon (City). There are several eligible expenditures under section 48(3) of the bylaw, however, the primary use of the reserve includes:

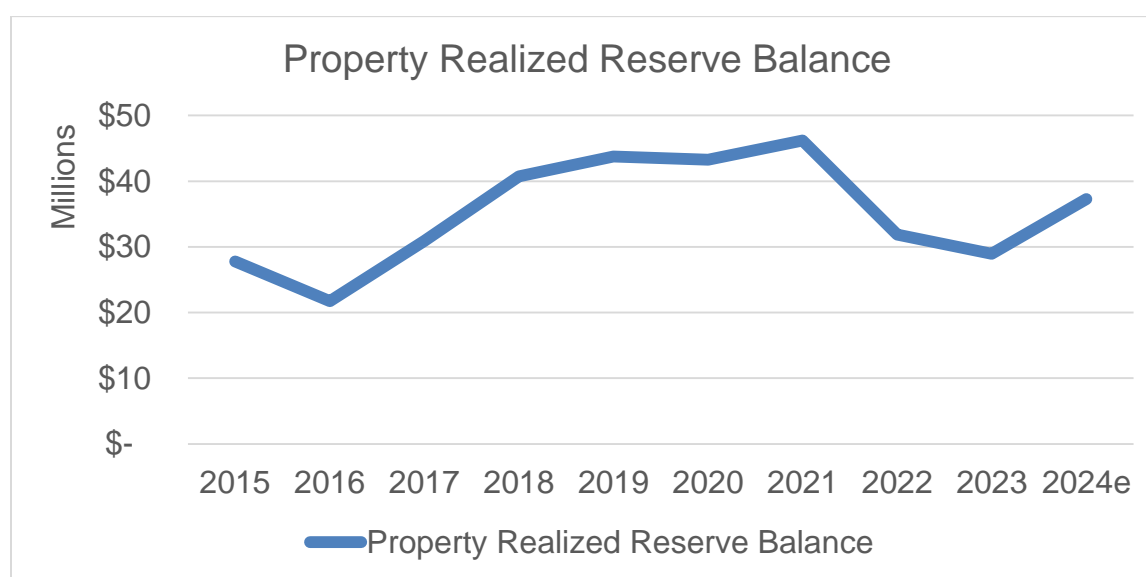
1. The purchase of land for resale;
2. Expenditures made to prepare land for resale; and
3. Loans for purchases of property required by the City for future capital expansions.

Historically, the PRR has been critical for the City to carry on a successful Land Development operation as well as acquire land for larger City Building initiatives such as the North Commuter Parkway project, Circle Drive South and the Civic Operations Centre to name a few recent examples.

The overall sustainability of this reserve relies on the continual replenishment of the reserve through a combination of land sale revenue/profit and repayment of monies borrowed from PRR to temporarily fund the purchase of land for land development and other civic projects. Whether it is Saskatoon Land or a City Project, all business lines

within the City are required by Bylaw and City Council policy to compensate the Reserve at the greater of historical cost or fair market value when land purchased through the reserve is used. Differences between the PRR historical cost and fair market value remain within the reserve to maintain a sustainable balance for future acquisitions.

As of December 31, 2023 the balance of the PRR is approximately \$29.6 million and is forecasted to be approximately \$37.26 million by the end of 2024, which includes a \$5.0 million dividend from the Neighbourhood Land Development Fund which is being presented and recommended in a separate report at the September 4, 2024 Standing Policy Committee on Finance meeting. However, it is important to note these forecasts can fluctuate by several million dollars as they are dependent on industrial and other sales as well as acquisitions the Administration expects to complete in the future.



Since 2016 the PRR balance grew from \$21.72 million to a high of \$46.19 million in 2021. In the following years, several purchases for the Downtown Event and Entertainment District were completed such as the Midtown North Lot (\$25.1 million), 50 23rd Street (\$7.03 million), 39 23rd Street (\$5.29 million) and 149 Pacific Avenue (\$5.23 million). While significant purchases were made utilizing the PRR as a funding source, there was also a significant inflow of funding to the Reserve from 2021 to 2023 as Saskatoon Land experienced some of its highest Industrial Land Sales in its history during these years which are currently dedicated to the PRR, as outlined in the [Saskatoon Land 2023 Annual Report](#).

Affordable Housing Reserve

The Affordable Housing Reserve (Housing Reserve) is governed by Council Policy C03 003, Reserves for Future Expenditures. As outlined in section 5.1 of the Policy, the purpose of this reserve is to support housing development in Saskatoon as guided by Policy C09-002, Innovative Housing Incentives. Section 5.3 outlines that the funds in this reserve shall be used in accordance with Policy C09-002.

In 1987, City Council established the Housing Reserve to support community partners in the development of affordable housing. The Housing Reserve has received funding allocations under various strategies, averaging approximately \$1.16 million annually since 2000, although annual contributions have varied substantially. A summary of financial allocations for the Housing Reserve from 2000 to 2024 is found in Appendix 1.

In 2010, City Council established a funding strategy to reach a base level funding of \$1.5 million annually, which would be provided from the mill rate. Base funding was to be phased in over six years at \$250,000 per year. During the phase-in period, the difference between the target \$1.5 million and current level of support would be backfilled from surplus funds in the Neighbourhood Land Development Fund (NLDF).

On September 26, 2011, City Council suspended this strategy due to availability of provincial cost sharing for various City housing programs for a five-year period from 2011 to 2016. As a result, the annual operating contribution to the Housing Reserve remained at \$250,000 from 2011 to 2021, before it was increased to \$350,000 in 2022 and to \$450,000 in 2023. Contributions to the Housing Reserve from the NLDF have continued on an ad hoc basis. As of this report, there is no ongoing direction for contributions to the Housing Reserve beyond the annual operating contribution of \$450,000.

The annual operating contribution of \$450,000 funds a staff component of two FTEs, and other associated operating costs. In recent years the remaining funds have been allocated to contract payments and various housing incentive programs including capital grants for the development of new affordable housing units.

The balance of funds in the Housing Reserve as of August 1, 2024 was \$2,120,126. However, \$1,317,750 is committed to previously approved projects and will be paid upon completion. The balance of \$802,376 is uncommitted at this time, which includes a minor carry-over from 2023, the 2024 unspent operational funding, and \$125,280 that was recently returned to the Reserve from a 2020 Capital Grant funded project which did not proceed. Community interest in accessing available capital grants has been increasing and has surpassed the available funding between 2020 and 2023. Appendix 2 provides a summary of recent capital grant allocations.

For 2024 and 2025, no request was made by Administration for additional funds for housing incentives including capital grants via the Multi-Year budget process for two reasons:

1. It was anticipated that the majority of funds from the Housing Accelerator Fund Housing Action Plan would be used towards affordable housing incentives.
2. A new Affordable Housing Strategy was in development. Aside from capital grants and tax abatements, all other housing incentive programs are currently paused until a new Housing Strategy is presented to City Council for consideration. The new Housing Strategy, once approved, would provide guidance for future affordable housing incentives programs and funding support.

DISCUSSION/ANALYSIS

City Council has the option to direct the net proceeds of the sales of 2401 Broadway Avenue and 25 25th Street East to the Affordable Housing Reserve as opposed to the PRR as required in Bylaw. It is currently estimated the net proceeds from the sale of these properties would be approximately \$1.1 million after administrative fees, costs to prepare the land for resale and other miscellaneous costs are taken into consideration. This estimate is subject to change as it assumes the approved list price is obtained and the estimated costs to prepare the sites for resale do not fluctuate.

1635 McKercher Drive is not expected to have any net proceeds as the approved list price is \$0 or a nominal amount. In addition, as this is Municipal Reserve, any proceeds would be required to be directed to the Dedicated Lands Account and be used for the provisions under The Dedicated Lands Regulations, 2009.

The PRR forecasted balance of \$37.26 million, as of December 31, 2024, outlined previously in this report, did not include an allocation from these properties as they were not expected to be sold at the time the forecast was developed. As such, if the net proceeds were to be allocated to the PRR as required under Bylaw, they would increase the projected PRR balance to \$38.36 million as of December 31, 2024. A balance of \$37.26 or \$38.36 million provides Administration and the City with flexibility in the near term to navigate any potential land purchases required for future land development or City projects.

However, with increasing costs of land in and around Saskatoon, it is important the principles and bylaw requirements that have made this reserve so valuable to the City are maintained as much as possible so that it can continue delivering value into the future. For context, the City has identified over \$80 million in potential land acquisitions which are currently being monitored. While these aren't all being actively pursued and all won't come to fruition over the next five years, if the right opportunity or need arises, the PRR has been a valuable resource to the City in being able to capture these as they arise. The more the PRR bylaw is redirected, the more risk there is in the future the City may have insufficient balances to acquire a strategic land parcel or property without relying on other sources of funds such as borrowing or the operating budget.

Implications if Net Proceeds are Allocated to the Affordable Housing Reserve

The Affordable Housing Reserve currently has a balance of \$2,120,126 with outstanding financial allocations/commitments of \$1,317,750. An additional allocation of approximately \$1.1 million to the reserve could have the following implications:

- Based on the first call for Affordable Housing Projects using the HAF funds, issued in July 2024, there is significant interest and apparent capacity in this area and additional funds could contribute to the production of new affordable housing units. The additional dollars could increase the number of potential units that can be supported or could be added to the per unit allocations (current amount of \$27,000 per door), further increasing the project viability for approved projects. Approval of the Affordable Housing Incentives is being considered by the

Standing Policy Committee on Planning, Development and Community Services at its September 2024 meeting.

- For capital grants, based on recent years, a supplementary \$1.1 million may support the creation of 40+ affordable housing units. An allocation of these proceeds to the Housing Reserve could be directed for use in future years, when the Housing Accelerator Funds are no longer available, which would assist the City in being prepared for continued new affordable housing development.

While a single reallocation of net proceeds to an alternate reserve such as the Affordable Housing Reserve would not significantly impact the PRR and planned land purchases, beginning a precedent of re-directing proceeds away from PRR may have future implications on the City's land acquisition strategy if it is done on a regular basis.

FINANCIAL IMPLICATIONS

The financial implications are included in the report.

OTHER IMPLICATIONS

There are no privacy, legal, social or environmental implications identified.

NEXT STEPS

Unless directed otherwise, the net proceeds from these sales of City-owned land would be directed to the PRR as required under the existing Bylaw.

APPENDICES

1. Historic Funding of the Affordable Housing Reserve
2. Capital Grant Allocations 2020-2023

REPORT APPROVAL

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