

2024 Neighbourhood Land Development Fund Allocation of Profits

ISSUE

The Administration requires City Council approval to declare a \$15.0 million dividend from the Neighbourhood Land Development Fund (NLDF) for allocation to Capital Project P.02407 Chief Mistawasis Bridge and Traffic Bridge Replacement and to the Property Realized Reserve for future land acquisitions.

RECOMMENDATION

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

1. That \$15.0 million in profits be declared from the Neighbourhood Land Development Fund;
2. That \$10.0 million in profits from the Neighbourhood Land Development Fund be allocated to the Capital Project P.02407 Chief Mistawasis Bridge and Traffic Bridge Replacement Project; and
3. That \$5.0 million in profits from the Neighbourhood Land Development Fund be allocated to the Property Realized Reserve for future land acquisitions.

BACKGROUND

To date, \$143.6 million has been allocated from the NLDF from the Hampton Village, Willowgrove, Evergreen, and Rosewood developments. These allocations have funded various capital projects and operating programs.

City Council at the 2020/2021 Multi-Year Preliminary and Corporate Business Plan and Budget received the [Neighbourhood Land Development Fund Update Report](#) that outlined the proposed future use of Land Dividends. The report stated that approximately \$25.0 million would be required in the future with allocations of \$10.0 million to the Chief Mistawasis Bridge and North Commuter Parkway Project, \$5.0 million to the Game Plan Funding Plan, \$6.2 million to Property Realized Reserve for future land development acquisitions, and \$3.9 million to the Bus Rapid Transit Funding Plan.

City Council, at its Regular Business [meeting](#) on October 25, 2023 resolved:

1. That \$3.9 million in profits be declared from the Neighbourhood Land Development Fund; and
2. That \$3.9 million in profits from the Neighbourhood Land Development Fund be allocated to the Bus Rapid Transit Funding Plan.

City Council, at its Regular Business [meeting](#) on November 22, 2021 resolved:

1. That the \$5.02 million in profits be declared from the Neighbourhood Land Development Fund; and
2. That the 5.02 million in profits from the Neighbourhood Land Development Fund be allocated to the Recreation and Parks - Facilities Game Plan Funding Plan.

DISCUSSION/ANALYSIS

Return on Investment and Allocation

Financial proformas are prepared for every Saskatoon Land development project and reviewed by the Standing Policy Committee on Finance. The proformas are prepared using current information, are based on present-day cost estimates, and require certain professional judgments. Net investment returns between 15% - 30% are targeted for each development project with actual results dependent on overall sales and market conditions experienced throughout the life of the development project. Positive investment returns from the Evergreen project have resulted in most of the recent profit allocations.

In determining profit allocations, the Administration projects cash inflows and outflows to determine the overall NLDF cash position. This includes a review of accounts receivable, projecting the amounts due from land sales contracts in the current year, and the monies to be collected in future periods. When considering only revenues and expenses, a positive fund balance of \$26.7 million is anticipated for the NLDF at the end of 2024, prior to the allocation of any profits. If the recommendations in this report are approved, the projected fund balance will be reduced to approximately \$11.7 million.

Chief Mistawasis Bridge and Traffic Bridge Replacement Project

The new Chief Mistawasis Bridge and Traffic Bridge were opened in 2018 with an approved budget of \$238.8 million. The approved funding plan for Capital Project P.02407 included \$20.0 million from NLDF profits. The project received \$10.0 million from dividends declared in 2019. With sufficient cash flow in the fund expected this year the final funding required to cover all expenditures is being recommended to close the project.

Property Realized Reserve (PRR)– Future Land Acquisition

The purpose of this contribution is to remain aligned with Capital Reserve Bylaw No. 6774 Section 48. (7)(a) which states:

“for residential land development projects, a minimum of 10% of such declared net proceeds are re-assigned to this Reserve (PRR) for land acquisition funds”

Contributing the \$5.0 million of the required \$6.2 million at this time will ensure there are sufficient funds in the Property Realized Reserve to make future land acquisitions for future development or City building initiatives as they present themselves.

FINANCIAL IMPLICATIONS

As previously mentioned, the NLDF balance is anticipated to be in a \$26.7 million surplus position, prior to any profit allocations, at the end of 2024. If the \$15.0 million in recommended allocations in this report are approved, the fund balance is projected to be approximately \$11.7 million. It is important to note this forecast is dependent on the collection of outstanding receivables on land sales of approximately \$32.48 million. While the Administration is confident that these collections will occur as planned based current contract deadlines, the forecasted \$11.7 million is recommended to be retained within the fund until the collection of the outstanding receivables is complete.

Administration will continue to monitor the overall fund balance and any potential impact from current outstanding receivables.

NEXT STEPS

If this allocation is approved there will be a remaining \$1.2 million allocation to the Property Realized Reserve as part of the previously outlined use of Land dividends. Apart from the \$1.2 million, there are currently no other currently approved funding plans or projects that require Neighbourhood Land Development Fund profit allocations as a funding source.

Future reports will provide options to City Council regarding the allocation of future Neighbourhood Land Development Fund profit allocations.

REPORT APPROVAL

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