



August 3 2017

Standing Policy Committee on Finance
c/o Councillor Ann Iwanchuk, Committee Chair
222 3rd Avenue North
Saskatoon, SK
S7K 0J5

RE: Saskatoon Land Internal Audit Report – Committee Meeting of August 14 2017

Dear Councillor Iwanchuk and Committee members,

Thank you for allowing more time for stakeholders such as the Saskatoon & Region Home Builders' Association (SRHBA) to review and comment on the Saskatoon Land Internal Audit Report.

As you already know, we were very pleased of the Committee's decision to allocate funds for an additional internal audit of the Saskatoon Land Bank, one with a larger scope and the first of its kind for this department. We had publicly congratulated the Committee's leadership in a letter dated September 16 2017 and the residential construction industry had been anxiously awaiting the report on results. We are disappointed to not be able to be with you in person for the Committee Meeting of August 14th 2017 but we are passing along our perspective in writing for your review and consideration.

Prior to the Internal Audit, the SRHBA had three overarching recommendations for Saskatoon Land:

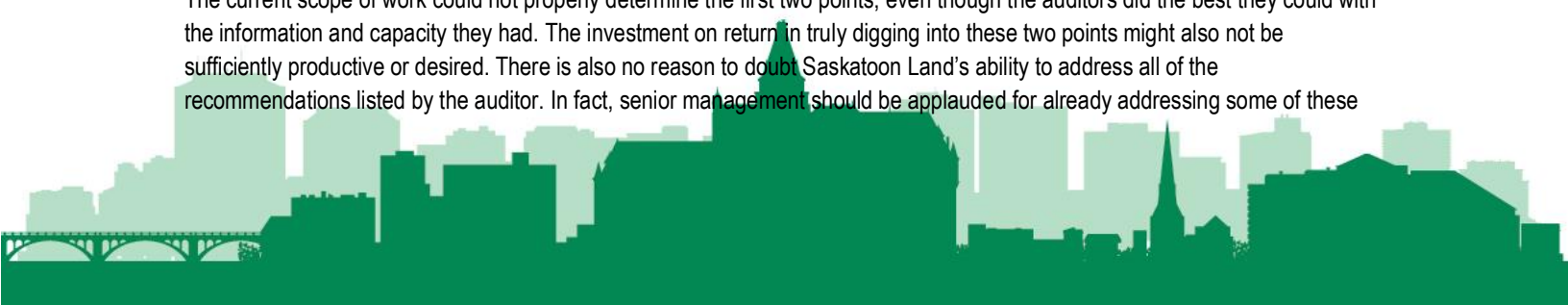
- 1) Increase transparency & accountability
- 2) Contribute to increasing professionalism in the residential construction industry
- 3) Make improvements to its business model

It is important to highlight that the SRHBA is not advocating that the City of Saskatoon should not be in the development business. Rather, we advocate for improving the City's approach to land development. Saskatoon Land is in fact a professional member of our association and proudly serves many of our member builders.

The SRHBA had three overarching criticisms in regards to the current status of operations of Saskatoon Land. That Saskatoon Land:

- 1) Impacts the cost of land in Saskatoon, eroding affordability.
- 2) Can be in a conflict of interest as both regulator and competing business.
- 3) Does not have a business model that can best pull on expert advice and respond quickly to the market.

The current scope of work could not properly determine the first two points, even though the auditors did the best they could with the information and capacity they had. The investment on return in truly digging into these two points might also not be sufficiently productive or desired. There is also no reason to doubt Saskatoon Land's ability to address all of the recommendations listed by the auditor. In fact, senior management should be applauded for already addressing some of these





recommendations and starting a consultative process with the development, building and business sectors as they work through improving their operations and policies.

The glaring omission in the auditor's report is the lack of recommendations for Procedure 6: Business and Governance Structure, which also corresponds to our third point. In our opinion, this is the most important section of the auditor's report, and I would recommend Committee and City Council not approve this report without formulating recommendations for this section. Without this, we are missing an tremendous opportunity to truly impact and improve the way we develop and grow our city. Without this, the report is yet another audit report which will be filed on a shelf after a few months. And finally, without this, we are not responding to the true reasons many stakeholders supported the work and scope of such an audit.

The SRHBA would thus suggest recommending:

- 1) That the City of Saskatoon investigate the possibility of moving the current model of Saskatoon Land to one of a Municipal Development Corporation (MDC) to properly understand what this would look like for the City of Saskatoon and its impacts on the local economy. This investigation should be comprise of, but not limited to, a cost-benefit analysis, timeline, transition plan suggestions, and consultation with the building and development community, amongst other sectors.
- 2) Apply the recently approved (in principal) Growth Plan to Half a Million to the business plan and vision of Saskatoon Land, so it can work in tandem with the City of Saskatoon and other stakeholders.

And lastly, transparency is often a recommendation, a value everyone can rally around. However, "efficient" and "timely" communication of information (including financial information) could also assist in improving the way Saskatoon develops land and grows. This should be a value to continually improve. Transparency, increasingly the effectiveness of information sharing and understanding, can make for better decision making.

Ultimately, I think all stakeholders have the same end goal in critiquing the current model of Saskatoon Land, we want to help increase confidence in Saskatoon Land and better build and grow our beautiful city. As our Mayor often says, let's be the city that gets it right.

Please do not hesitate to contact me should you have any questions or comments and I look forward to following up with you in the coming weeks.

Sincerely,

Chris M. Guérette
CEO

