
Amendments to Council Policy No. C09-015, Real Estate Commissions – Sale of City-Owned Land

Recommendation

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

1. That the proposed amendments to Council Policy No. C09-015, Real Estate Commissions – Sale of City-owned Land, be adopted; and
2. That the City Clerk be requested to update Council Policy No. C09-015 as outlined in the report of the CFO/General Manager, Asset and Financial Management Department, dated June 5, 2018.

Topic and Purpose

The purpose of this report is to obtain City Council approval of the proposed amendments to Council Policy No. C09-015, Real Estate Commissions – Sale of City-owned Land (Policy), regarding real estate commission rates.

Report Highlights

1. Saskatoon Land completed a comprehensive review of real estate commissions offered by other municipalities and the local market.
2. The Administration is recommending several amendments to the Policy, including revised commission rates and clarification of the conditions under which commission is payable.

Strategic Goals

This report supports the four-year priority of establishing fees and permits that are competitive with other jurisdictions inside and outside the province under the Strategic Goal of Economic Diversity and Prosperity.

This report also supports the four-year priority of pursuing opportunities to “modernize” civic government to reflect best practices, changing demands, etc. under the Strategic Goal of Continuous Improvement.

Background

Council Policy No. C09-015, Real Estate Commissions – Sale of City-owned Land, became effective December 16, 1991, with the most recent update on February 11, 2013. The purpose of the Policy is to allow the City of Saskatoon (City) to be competitive in marketing City-owned land by paying appropriate real estate commissions.

Section 4.3(b) requires the Administration to recommend changes to the Policy required. To ensure the Policy is still relevant and working well for the current market, the Administration initiated a review of the Policy.

Report

Review of Real Estate Commission Rates

Recently, Saskatoon Land completed a comprehensive review of commissions and fee structures currently being used by other Canadian municipalities regarding industrial and commercial land transactions, and also to discuss current practices in selling land. Of the municipalities contacted, many had little to no land dealings. However, several comparable prairie municipalities actively sell serviced land and offer real estate commissions to licenced real estate agents. Saskatoon Land also reviewed commission rates offered in the Saskatoon commercial real estate market and consulted local commercial real estate brokerages for their input. Typical commissions offered by each municipality and those typical of the Saskatoon commercial real estate market are shown in Attachment 1.

Although the City of Saskatoon tends to pay higher commissions than the other cities reviewed, current commission rates are generally comparable to what is being offered in the local market. Additionally, there are differences in market conditions and marketing techniques that account for the different rates offered by other municipalities. For example, the City of Calgary pays a lower rate of commission but has internal employees who act as agents on its behalf. These employees have devoted portfolios and, although they are not licenced, they market the property and negotiate similar to a licenced agent.

Saskatoon Land also reviewed commission rates paid in the local market (transactions that did not involve Saskatoon Land). Although there is no hard-set rule, the most common commission rates offered on industrial and commercial sales mirror the City of Saskatoon's current rates of 5%. Total commission paid is then typically split between the seller's and buyer's agent, although on occasions when a single agent represents both parties through dual agency, they typically receive the entire amount.

Although Saskatoon Land performs some of the functions that are typical of a listing agent, local real estate agents have proven to be valuable in marketing City-owned land. Saskatoon Land has realized benefits through many sales that have been generated by the marketing of local real estate agents. For the 5-year period ending December 31, 2017, Saskatoon Land completed 89 industrial land transactions totalling approximately \$82 million. Real estate agents were involved in 69 of the 89 transactions, or approximately 78% of sales.

Proposed Changes to Policy

The Administration recognizes the efforts of local real estate agents in facilitating the sale of City-owned land. To continue effectively marketing and selling City-owned serviced land, the Administration recommends the following amendments to the Policy:

- A minor change to how commission is calculated on industrial land sales through the introduction of a third commission "tier", similar to other municipalities (Attachment 2).

- Applying the industrial commission rates (5%) to the sale of commercially zoned land, as the current rate of 3% on the land portion only is ambiguous and often misunderstood. Changing the commercial rate to 5% of sale price makes the commission payable clearer for the industry and Saskatoon Land.
- Affording some flexibility in the ability to pay commission rates on unique parcels regardless of zoning, which is not currently allowed under Policy, will allow the City to react to the market in the sale of unique land parcels.
- Introducing improved criteria that requires agents to be specifically involved throughout the transaction to receive a commission and not have personal conflicts in the transaction which are intended to maintain the integrity of the Policy and ensure that commission is paid under the intended circumstances.
- Allowing the Administration to list City-owned land for sale through a licenced real estate brokerage when beneficial to do so.
- Several housekeeping updates to reflect current corporate structure.

All proposed amendments are detailed in Attachment 3.

Options to the Recommendation

City Council can choose not to proceed with the recommended amendments; however, Saskatoon Land does not recommend this option as the current Policy is outdated.

Public and/or Stakeholder Involvement

Commercial real estate brokerages were initially contacted to discuss and provide comments on the current Policy, and have since been informed of the proposed amendments. The proposed changes were also discussed with the Saskatoon Region Association of Realtors.

Communication Plan

If City Council approves the proposed amendments, local commercial real estate brokerages will be notified.

Policy Implications

Pending City Council approval, Council Policy No. C09-015 will be amended.

Financial Implications

The proposed changes to the Policy are not expected to have a significant impact on the real estate commissions paid on Saskatoon Land sales.

Other Considerations/Implications

There are no environmental, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion

A due date for follow-up and/or project completion is not required.

Public Notice

Public Notice, pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachments

1. Review of Real Estate Commission Rates
2. Proposed Changes to Real Estate Commission Rates
3. Amendments – Council Policy No. C09-015, Real Estate Commissions – Sale of City-owned Land

Report Approval

Written by: Jeremy Sibley, Real Estate Services
Reviewed by: Frank Long, Director of Saskatoon Land
Approved by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department

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