Proposed Real Estate Strategy – (Sunnyside) – Ward 07 (787 3 ST NW)

IP2023-0988

2023 September 13

For Public Release

Date: 2025-09-15
Dept: Infrastructure Services

Previous Council Direction

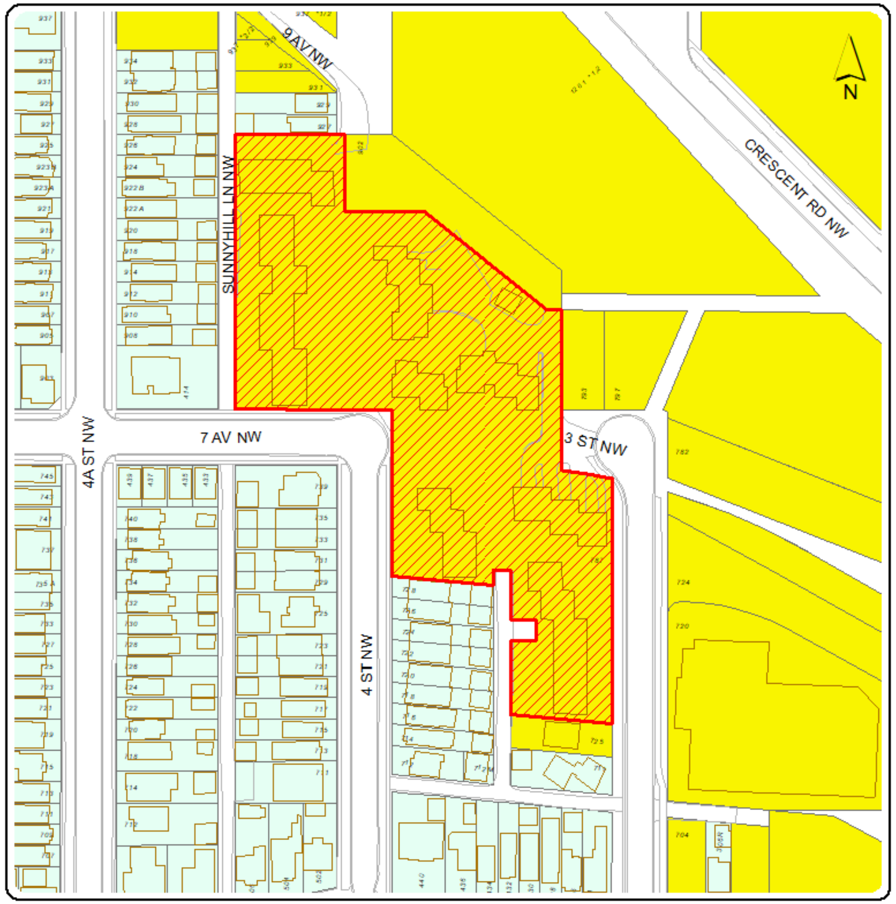
- **On 1979 September 24, Council approved** the cancellation of an Agreement for Sale and approved a new 60-year lease (the “Lease”) with Sunnyhill Housing Co-operative Ltd. (“SHC”) because SHC had been unable to secure the remaining $255,610 of the $462,000 sale price to complete the sale.
- The one-time lease rate was $330,000 plus the interest that had accumulated on the Agreement for Sale. Outstanding amounts on the Lease and the Agreement of Sale were to accumulate interest at prime plus 1% which amounted to 15.76%.
- **On 1986 January 27, Council authorized** the reduction of the interest rate to a fixed rate of 10% (the prime rate at the time).
- On 2001 May 1, SHC paid in full all outstanding rent for the 60-year lease term.

Recommendations

That the Infrastructure and Planning Committee recommends that Council:

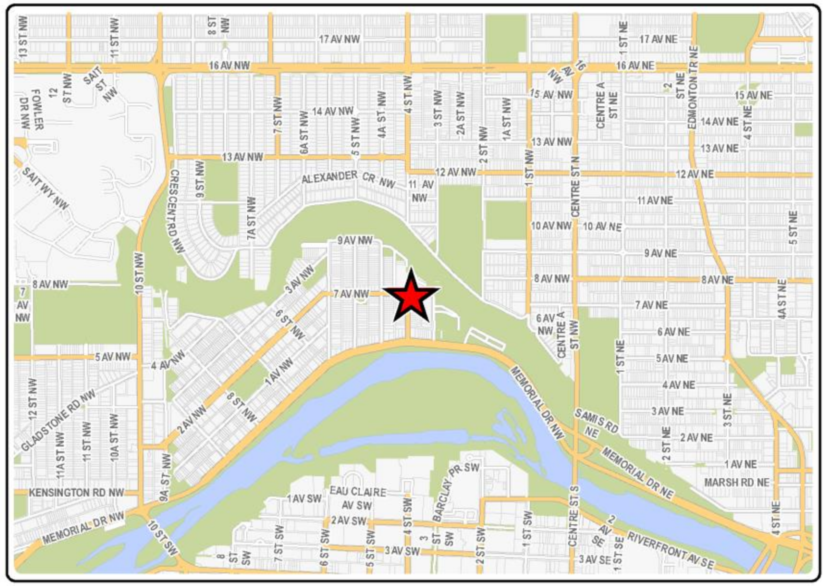
1. Authorize Option 1 as outlined in Attachment 3; and
2. Direct that the Recommendations, Report and Attachments remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until the transaction has been completed.

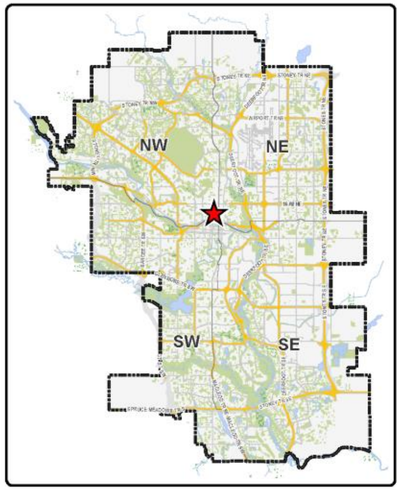
787 3 ST NW



Property
± 14,710.227 m² (± 158,338.94 ft²)

City-Owned Land





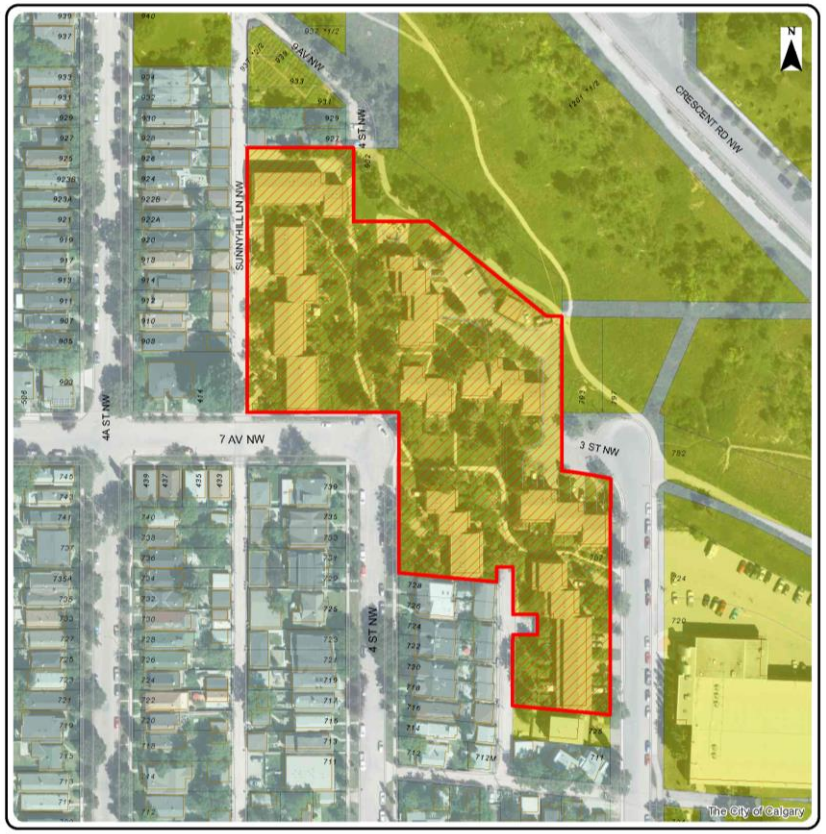
Legend

Property
787 3 ST NW

NOT TO SCALE

N

787 3 ST NW



Property
± 14,710.227 m² (± 158,338.94 ft²)

City-Owned Land

- Sunnyhill Housing Co-operative is located on a leased and City-owned 3.63-acre parcel of land in the community of Sunnyside across from the Prince’s Island pedestrian bridge, southwest of McHugh Bluff and below Crescent Heights.
- SHC is comprised of eight row home clusters totaling 66, 1 to 3 bedroom units constructed in 1978.

Background

- Lease Term from 1979 September 24 to 2039 September 23 with Tenant’s option to purchase at fair market value, which option must be exercised by 2036 August 23.
- SHC is seeking to purchase the Property, however cannot afford to pay the market value estimated at $20,800,000.
- SHC considered an early lease extension, however the annual market lease rate of $1,065,000 makes their proposed development project unviable.
- SHC would like to undertake a development project to demolish 4 units, construct 15 new units and retrofit the remaining 62 units for a total of 77 new or significantly upgraded residential units.
- This project is estimated to cost $6,650,000. Funding for this project is available from CMHC in 2023.

Background

- Historically, SHC has measured affordability against the CMHC accepted criteria which is aligned with the Government of Alberta’s Community Housing Program “Core Needs Income Thresholds”, under which 100% of units are aligned.
- Based on The City’s criteria, 36.4% of SHC households are currently being housed affordably. SHC has committed to ensuring the proposed 15 new units will fulfill The City’s affordability criteria bringing the total to 45%.
- It has been determined by SHC, that they will require an early lease extension at nominal to accommodate their ability to apply for CMHC grants available this year.
- SHC would also like to explore negotiations for a below market sale.

Background

Administration has analyzed the following four options:

- Option 1: Authorization to extend the current lease term for an additional 35 years on the same terms and conditions and to negotiate the sale of the Property to SHC at book value of $648,008 plus Transaction Fees and any other Council requirements.
- Option 2: Authorization to amend and extend the existing Lease for an additional 50 years at a nominal lease rate.
- Option 3: Authorization to amend and extend the Lease for 50 years at nominal, subject to annual review of SHC’s financials and evaluate potential to increase rent over time based on what SHC can afford.
- Option 4: Direct Administration to do nothing for the remainder of the lease term and following lease expiry, to publicly market the Property and negotiate a market sale to a successful applicant.

Option 1 Analysis

Positive Consequences/Risks:

- This purchase price is feasible to SHC, and would enable them to achieve the CMHC financing required to upgrade their existing units.
- The sale transaction and related agreements cannot be completed in 2023. As such, an early lease extension will provide the security of term to access CMHC funding.
- SHC could complete their proposed project which will increase inventory of “affordable housing” (as defined by CMHC) in the community.
- Existing units nearing the end of their expected lifecycles can receive retrofits to realign their expected lifecycles with the new construction units.

Option 1 Analysis

Positive Consequences/Risks:

- Perpetual control over the Property will enable SHC access grant and other funding options as they become available.
- This option is most likely to enable SHC to achieve greater density on the site over time via the ability to leverage the value of the land and perpetual control.
- The increased density of residents in the area will result in an increase to the annual tax base.
- SHC can continue its operations and maintain its presence as a valued member of the Sunnyside community.
- The Community Association is in favour of SHC remaining in place as it is perceived as being the “heart” of Sunnyside.

Option 1 Analysis

Negative Consequences/Risks:

- The City will forgo the market value which is significantly higher than book value. This may set a precedent for transactions of Property at below market value which will put additional pressure on the Revolving Fund Reserve.
- There is a risk that although a negotiation of the sale is approved, SHC will not be able to secure the funding to finalize the purchase or the project.
- There is a risk that once SHC obtains ownership of the Property, they:
  - sell or subdivide and sell at market value; or
  - no longer offer 100% affordability under CMHC's accepted criteria and discontinue the Co-op.

  This would be mitigated by including in the sales agreement, an option for The City to repurchase the Property at or below the sale price for the next 99 years, should that occur.

Option 1 Analysis

Negative Consequences/Risks:

- Under the previous non-market land sales, The City has typically been able to leverage its lands with the non-profit sector to realize affordable housing with a City contribution of market value land of approximately $50K/door, with 100% being aligned with The City’s definition of affordability. This transaction would effectively mean The City’s market value land contribution is approximately $270K/door of which, approximately 45% align with The City’s definition of affordability (100% align with CMHC’s accepted criteria for affordability).

Recommendations

That the Infrastructure and Planning Committee recommends that Council:

1. Authorize Option 1 as outlined in Attachment 3; and
2. Direct that the Recommendations, Report and Attachments remain confidential pursuant to Sections 23 (Local public body confidences), 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* until the transaction has been completed.