

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Office of the Chief Administrative Officer
Date	Wednesday, July 3, 2024
Subject	<b>Mayoral Direction B3 – Strategic Real Estate Partnerships on Underutilized City-Owned Assets</b>

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## Recommendation

1. That the report titled Mayoral Direction B3 – Strategic Real Estate Partnerships on Underutilized City-Owned Assets dated July 3, 2024, be received.
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## Executive Summary

### Purpose of Report

The purpose of the report is to communicate the status of work undertaken to respond to [Mayoral Direction B3](#). The report focuses on the evaluation of possible sites for consideration and proposes potential ways for the City to begin to engage in strategic real estate partnerships.

### Key Findings

Mayoral Direction B3 directs staff to identify a site(s) to potentially redevelop quickly. The direction outlines that an update should be provided with possible sites for consideration. This report fulfills that direction for the end of Second Quarter (Q2) while staff continue to evaluate all City-owned properties more thoroughly.

Developing residential units that are affordable, either by the formal definitions outlined in the Provincial Planning Statement (PPS) (i.e., that units are either priced 10 per cent below market price or the purchase price does not exceed 30 per cent of gross annual household income) or that are simply affordable as a market listing, requires low-cost construction. Sites that are expensive to develop will have residential units that will inherently be expensive to buy or rent.

Developing residential units quickly requires identifying sites that are developable and are not encumbered with land-use designations (i.e., brownfield, employment lands, etc.), contain infrastructure or are constrained with technical challenges (i.e., floodplain, infrastructure capacity concerns, site constraints, etc.). Technical challenges require additional third-party regulatory approvals, lengthy evaluation and analysis as well as potential capital investment. Sites that contain floodplain designation, risk of contamination, contain City infrastructure, have servicing constraints around water supply or wastewater capacity or other technical challenges, do not align with the Mayoral direction to identify a site(s) to build quickly and affordably.

To build quickly and affordably, unprogrammed park spaces are the best candidate sites to meet this direction. If adopted, this action would challenge the City's park service level levels. The Park Plan and Parks and Recreation Master Plan outlines issues with current park inventory, Official Plan park service levels and legislated restrictions, exemptions and caps around and Parkland Dedication conveyances and revenue sources. Various park planning policies have identified that parkland acquisition revenue does not align with Official Plan park provision service levels. The development of existing parkland will create challenges that will need to be reviewed as part of a future parkland acquisition strategy.

City parking lots or unprogrammed park spaces often contain infrastructure below ground. In these cases, the surface or usable space could more accurately be described as a secondary function to the primary utility function. These sites may appear to be underutilized but play a key role within the City's land holdings inventory.

This does not mean these sites cannot be developed or improved. It means that intensifying or developing these sites would require capital investment, technical review, analysis and time to re-program. Therefore, these sites cannot be redeveloped quickly.

### **Strategic Plan Alignment**

This report supports work already underway as part of Future Guelph Strategic Plan 2024-2027, specifically objective 4.3 Maximize Guelph's real estate opportunities to support growth and the initiative "review and challenge the status quo of current land assets and oversee corporate property decisions to maximize value." This report also aligns with work already being undertaken to support the objectives of the Housing Accelerator Fund (HAF).

### **Future Guelph Theme**

City Building

### **Future Guelph Objectives**

City Building: Improve housing supply

### **Financial Implications**

This report is for receipt and Council consideration. There are no financial implications unless further direction from Council is provided.

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## **Report**

This report responds to a Mayoral direction from February 28, 2024. The Mayor issued Mayoral Direction B3 – Strategic Real Estate Partnership on Underutilized City-Owned Assets in accordance with Part VI.1 of the Municipal Act directing staff to identify strategic real estate partnerships on underutilized City-owned assets, specifically to bring forward a possible site(s) for consideration by the end of Q2. A partnership framework has been investigated and will be implemented should a site for development be directed to staff.

Through the Mayoral Direction, staff were directed to identify strategic real estate partnership on underutilized City-owned assets:

Explore underutilized City-owned assets, including City-owned surface parking lots, for the purpose of building additional housing in the community.

This work should address:

- a) Preference to assets that can be redeveloped quickly.
- b) Criteria that explores incentivizing the ability to further social, transitional, supportive, co-op or affordable housing units.
- c) Where parking lots are considered, evaluate the ability to maintain or realize a net gain of public parking, with emphasis in the downtown.
- d) Evaluate disposition, lease and joint venture models to help spur growth options. Identify if the City may or may not need to continue ownership.
- e) Identify impacts to community service levels.
- f) That proposals of potential assets be incorporated into the First Quarter (Q1) 2025 Real Estate Assets Report. This report should identify how to benefit growth and improve affordability and how funds will be deposited in the strategic property and/or affordable housing reserves.
- g) Any funding or programs received or may be forthcoming from upper levels of government that align with this directive, be outlined for further consideration.

## **Summary of Work**

### **Medium-long term inventory evaluation**

Staff have initiated a project to map and track City-wide land inventory. This centralized data set will pull from multiple sources to identify City-owned sites, excluding City right-of-ways (roads). This is a multi-step process. The process includes mapping existing inventory, evaluating overall utilization, and identifying property parcels appropriate for intensification or capital investment as part of a master plan, capital budget forecast and/or strategic plan objectives.

The conclusion of this work will identify sites that may be appropriate for future residential development, inform future acquisition planning to address capital projects that may not have a specific site identified and identify other future growth opportunities.

This work will be reported back to Council in Q1 2025. Development opportunities may be communicated at that time.

To action Mayoral Direction B3, staff have completed a review of over thirty City-owned sites specific to parking, unprogrammed or underutilized sites to bring back a site(s) for Council consideration.

### **Partnership evaluation**

To engage in a meaningful partnership discussion as well as evaluate the ownership models, overall net benefit to residential growth targets, and other criteria that are important to the Mayoral direction, a site must first be selected. This report will identify sites for consideration and other ongoing initiatives that support the intent of the direction for increased housing. If directed to develop a site, staff will initiate a Request for Expression of Interest (RFEOI) process to gauge market interest, evaluate bids from potential partners and identify which Expression of Interest (EOI) will be best suited to develop a site in alignment with the direction.

## Sites for Consideration

From the Mayoral direction, three main criteria have been evaluated by staff to identify a potential site:

- Examine underutilized assets for residential growth, including parking lots
- Give preference for sites that can be redeveloped quickly
- Communicate community impacts

Pending the outcome of a comprehensive review of City inventory or direction, to develop a site for residential development, five criteria will be evaluated as part of a public-facing RFEOI process:

- Evaluate net gain or neutral parking impacts (if a parking lot)
- Evaluate ownership model (land lease or sale)
- Evaluate benefits to growth (total unit numbers)
- Evaluate revenue generation potential
- Evaluate opportunities for market, affordable, transitional, supportive or other housing

Over thirty sites were reviewed with a focus on accommodating a medium to high-density development, aligning with the ability to be developed quickly and having servicing capacity to accommodate the development.

Developing residential units that are affordable, either by the formal definitions outlined in the PPS (i.e., that units are either priced 10 per cent below market price or the purchase price does not exceed 30 per cent of gross annual household income) or that are simply affordable as a market listing, require low-cost construction.

Sites that require complex technical review, extensive servicing retrofit, or mitigation of site constraints will create higher costs to finance and build. These higher input costs will result in higher costs for residential unit renters or purchasers. Sites that are expensive to develop will have residential units that will be inherently expensive to buy or rent.

Developing residential units quickly requires identifying sites that are developable and are not encumbered with land-use designations (i.e., brownfield, employment lands, etc.), contain infrastructure or are constrained with technical challenges (i.e., floodplain, complex sites, etc.). Technical challenges require additional third-party regulatory approvals, lengthy evaluation and analysis as well as potential capital investment. Sites that contain a floodplain designation, have a risk of contamination, contain City infrastructure, have servicing constraints around water supply or wastewater capacity or other technical challenges, do not align with the Mayoral direction to identify a site(s) to build quickly and affordably.

As a result, to build quickly and affordably and meet the Q2 timeline, unprogrammed park spaces are the best candidate sites to meet this direction.

Concerns over parkland service levels have been identified as a result of the [2018-2019 Parkland Dedication By-law update](#), [2022 Park Plan](#) and [2023 Parks and Recreation Master Plan](#). Various policies have identified gaps between forecast Official Plan parkland service levels and parkland dedication conveyance rates and cash in lieu of parkland dedication caps or limitations articulated in the Planning Act. Further exemptions and limitations on parkland dedication rates that impact park acquisition revenue have recently been adopted into the Planning Act,

including exemptions for non-profit housing, affordable housing as well as secondary and tertiary units.

The gap between parkland dedication revenue generated by development and articulated parkland service levels identified in the Official Plan remains valid and will be further impacted by provincially legislated changes. Residential development on under-utilized or unprogrammed park spaces will further reduce park service levels and distribution.

Parkland service levels and park policies need to be considered in concert with the need to provide affordable housing within the City.

City parking lots or unprogrammed park spaces often contain infrastructure below ground. In these cases, the surface or usable space could more accurately be described as a secondary function to the primary utility function. These sites may appear to be underutilized but play a key role within the City's land holdings inventory.

This does not mean these sites cannot be developed or improved. It means that intensifying or developing these sites would require capital investment, technical review and analysis as well as time to re-program. Therefore, these sites cannot be redeveloped quickly.

The parking sites that were reviewed all had significant constraints that did not align with the Mayoral direction. Parking sites will be reviewed more extensively over the coming months. Some parking sites may be more developable than others but may also only have servicing capacity for low-density development. Construction of low-density units on existing parking lots that balance service levels, even if the end product is net neutral on parking, will result in a small number of built units.

Development that removes parking, even temporarily, will significantly impact the City's ability to deliver services and programs during construction. If directed, it is recommended that medium to high-density residential development is the end product. There are no parking sites that are immediately developable with limited or no technical challenges that have the servicing capacity for medium to high-density development.

Two sites have been identified that align with the criteria to develop quickly, have no encumbrances and have limited technical challenges to develop into either market housing that is affordable or formally defined affordable housing.

### **Sites for Consideration and Community Impacts**

#### **Site 1: Hugh Guthrie Park (Refer to Attachment 1)**

An area within Hugh Guthrie Park has been identified as a site that could accommodate residential development. Servicing exists off Edinburgh Road, and there is capacity to accommodate medium-density development.

Approximately 1.3 acres of the site fronting onto Edinburgh Road is not programmed. There is no community impact regarding the loss of built amenities or impacts to the existing play structure or baseball diamond. There will be an impact on passive community use on the unprogrammed park space. Some tree loss will occur however, this can be managed in alignment with compensation planting as outlined in the City of Guelph [Tree By-law](#). Attachment 1 displays the park boundary and the proposed development site, outlined in blue.

If directed, this action will unlock this area for development and the creation of new residential units. The City will retain approximately 4.5 acres as Hugh Guthrie Park with no loss of park programming. This will result in a loss of 1.3 acres of parkland.

Development of this nature on parkland will require an Official Plan Amendment and a Zoning By-law amendment. Residential uses are not permitted under the current Official Plan designation and Zoning By-law regulations.

Staff and Council have been consistent in messaging that the City desires more parkland, not less. This matter will be contentious and community feedback over park service levels and access to park space will likely be a significant concern raised by the community. Residential development at this location will result in the permanent loss of parkland.

To create a timely framework to permit residential development within the identified development area, staff would retain a planning consultant to undertake an Official Plan Amendment and Zoning By-law amendment. Public engagement will be an important part of the regulatory process. Council approval will also be required. Pending approval of this site, staff would initiate this process concurrently with the development of RFEI terms of reference, evaluation criteria and issuance. There is a risk that the approvals process could lengthen the time to bring this site to market, if Council does not approve the Official Plan Amendment and/or Re-Zoning application, or if appeals are submitted on the decision.

Funding will be required to convert this site to developable land including survey and other supporting work to separate this parcel from the broader park, analysis and planning work to support the Official Plan, and rezoning amendments.

## **Site 2: Sleeman Park (Refer to Attachment 2)**

Sleeman Park has been identified as another potential candidate site for development. The portion of the site that is identified includes much of an existing baseball diamond, is approximately 1.5 acres, and fronts onto Silvercreek Parkway North. Approximately two acres of parkland would remain available for public use. The baseball diamond would be removed, and the existing play area would be retained.

The adjacent neighbourhood is medium to high-density residential, and this site has water and sanitary capacity to accommodate a medium to high-density development (approximately 50-75 units).

This site is included for consideration because it can accommodate a higher-density development than Hugh Guthrie Park. The trade-off is a greater community impact with the loss of a baseball diamond in addition to the loss of parkland. This baseball diamond is booked approximately two nights a week. It is used primarily by Special Olympics Guelph. The impact on baseball diamond user programming and the City's ability to find a new location that works for them has not been evaluated. Otherwise, the park space and baseball diamond are used spontaneously.

Concerns with the loss of parkland and park service levels that are identified with the Hugh Guthrie Park development site apply to Sleeman Park as well. The community impact will be larger because this site will result in the loss of a baseball diamond. Like Hugh Guthrie Park, a change to the Official Plan and Zoning By-law would be required.

This site could be considered for development as a secondary option if a higher density of residential units is desirable. Higher density increases the likelihood that the residential units will be more affordable.

### **Other Sites Considered:**

#### **Neeve Street Parking lot (141 Fountain Street East)**

The Neeve Street parking lot is impacted by the downtown holding provision, would require a Record of Site Condition due to its historic use and has buried infrastructure on site. It is also part of a broader parking agreement that obliges the City to provide a specified amount of parking permits. It is identified as a growth area in the Downtown Secondary Plan and staff will continue to explore strategies to achieve this outcome. The holding provision relates to sanitary sewer capacity limits that are projected to be resolved in 2025, pending budget approval. Therefore, this site is not immediately developable and does not meet the Mayoral direction, but it will continue to be reviewed.

#### **Macdonell Street Parking lot (34 Macdonell Street)**

The Macdonell Street parking lot will play a key role in Downtown Renewal and is potentially required for contractor staging and overflow parking. Future development will be explored when it is no longer needed to support this program of work.

#### **Guelph Main Library (100 Norfolk Street)**

The Guelph Main Library will be relocated to the Baker Street redevelopment site in 2026. Once this service relocates, this site may be appropriate for a residential or mixed-use redevelopment site. This site cannot be redeveloped until the site is vacant and the new Baker Street Library location is occupied and operational, which is scheduled for 2027. This site is owned by the Guelph Public Library (GPL). Staff are working with the GPL to identify options to maximize the value of the property for future sale. Proceeds will be directed to support the construction of the new Main Library as directed by Council.

#### **Eastern Portion of the Fountain Street parking lot (51 Fountain Street East)**

Environmental investigation and analysis are currently being undertaken on this site. This will inform our long-term work plan to maintain regulatory compliance. The western portion of this site will be explored for as a future location of City of Guelph facilities. Future acquisitions to support further development to the west of this site will be evaluated as part of a larger downtown acquisition strategy. The eastern portion is identified in the Downtown Secondary Plan Maximum & Minimum Building Heights map as a candidate site for four to 10 storeys when redevelopment occurs. This site will require a Record of Site Condition given its historic use.

### **Affordable and Transitional Housing**

The Mayoral Direction B3 directs addressing criteria that explores incentivizing affordable, social, supportive and transitional housing units. The City is responsible for regulatory oversight and facilitating the building of market-based and affordable housing.

The [Provincial Policy Statement](#) defines affordable as:

“a) in the case of ownership housing, the least expensive of:

1. housing for which the purchase price results in annual accommodation costs which do not exceed 30 per cent of gross annual household income for low and moderate income households; or
  2. housing for which the purchase price is at least 10 per cent below the average purchase price of a resale unit in the regional market area;
- b) in the case of rental housing, the least expensive of:
1. a unit for which the rent does not exceed 30 per cent of gross annual household income for low and moderate income households; or
  2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.”

The City has committed to meeting both the Provincial Housing Pledge and Federal HAF housing targets. Satisfying these targets relies on the construction of permanent residential units, measured by construction starts and/or building permits. The construction of transitional housing units would not contribute towards meeting our overall housing targets and could result in funding implications.

The City of Guelph has some supportive and transitional housing options available to those in need, and staff recognizes the need for more permanent supportive housing and transitional housing options. These types of units fall under the provision of the County of Wellington (the County) as the Consolidated Municipal Services Manager (CMSM) for the City of Guelph.

Staff are not recommending that transitional and supportive housing be identified to meet Mayoral Direction B3.

Staff are identifying that market value rental and affordable housing units should be considered as development options to meet the Mayoral direction.

### **Next Steps**

If a site is directed to be developed, staff will initiate a RFEOI process to identify potential project partners.

Staff will define the development area, separate it from the adjacent property, mitigate impacts to ongoing service levels and create terms of reference that will evaluate:

1. Total units proposed
2. Revenue generation (sale/lease)
3. Total number of affordable housing units included
4. Timing (RFEOI will require that proposals include development approvals as part of their proposal and faster timelines will be evaluated)
5. Parking (may not be needed, pending final site selection. However, this will be examined in consultation with Parks and other departments to evaluate the net benefit to park/public assets)

With further direction on site selection, staff would initiate the issuance of a RFEOI to explore the market, receive development proposals and identify a strategic partner for the development of underutilized City-owned lands. The specific terms of reference and evaluation criteria to identify a successful proponent will be developed upon receipt of Council direction to develop a site.



## **HAF alignment to Mayoral Direction B3**

On January 12, 2024, Prime Minister Trudeau announced that the City had been [awarded \\$21.4 million](#) to incent 739 additional units over the average annual units, by the end of 2026.

Staff have begun work on a comprehensive inventory exercise to identify candidate development sites and intend to report on this work in conjunction with Mayoral Direction B3 in Q1 2025. Staff have completed a significant amount of evaluation work to identify a site for development consideration as outlined in this report. Staff are working on a framework to action this program and will update Council as the work progresses.

If a development site is directed to be developed, staff will explore how this work can align further with HAF and if the potential exists for it to be identified as an affordable housing demonstration pilot project. Pending a decision on a City-owned site, HAF funds could be allocated to this specific deliverable and used to incentivize additional affordable housing units at this location.

Affordable housing will be also considered by the upcoming Community Improvement Plan (CIP) in alignment with the overall HAF program of work.

### **Identify timeline/milestones to action Mayoral Direction B3**

Major milestones could include:

- Direction to staff to develop a City-owned site for a mix of affordable and market residential development
- Redefine site boundary to create a development site
- Official Plan Amendment and Zoning By-law amendment, likely supported by a consulting team
- Environmental analysis (Phase 1 ESA and if required, Phase 2), other supporting analysis work
- Issuance of RFEOI
- Finalize RFEOI and enter into agreement, partnerships or sale, depending on proposal criteria
- Site plan approval and building permit issuance
- Construction initiation

A timeline will need to be further evaluated. However, the HAF timing identifies Fourth Quarter (Q4) 2026 as the pilot project completion timeline should there be alignment between the Mayoral Direction B3 and the HAF program of work.

### **Policy alignment**

To build quickly and affordably and meet the Q2 timeline, parks are the best candidate sites to meet this direction. Removing parkland would impact the Official Plan park service level targets.

Developing both sites identified for consideration results in the loss of parkland. The Sleeman Park site results in the loss of a baseball diamond. Park service levels, and challenges with meeting those service levels, are a community concern and staff are tabling these sites for consideration as a result.

### **Financial Implications**

The report is for Council receipt and consideration.

If directed, the work required to action the recommendations will include two main areas of work:

1. Staffing and capital to action Official Plan Amendment and Rezoning and other technical work to create a development site. Should this work be directed to staff, approximately \$200,000 has been identified to survey, evaluate soil structure, undertake preliminary environmental work and create a submission package to support an Official Plan Amendment and Rezoning work. These funds would be required to action any direction. Staff would seek reimbursement of this expense from prospective site development partners as part of any development or partnership agreement.
2. Issuance of an RFEOI and supporting actions to engage strategic partnerships for site development.

## **Consultations and Engagement**

Executive Team

Facilities and Energy Management

Finance

Engineering and Transportation Services

Planning and Building Services

Culture and Recreation

Strategic Initiatives and Intergovernmental Services

Parks

Realty Services

## **Attachments**

Attachment-1 Development Site Hugh Guthrie Park

Attachment-2 Development Site Sleeman Park

## **Departmental Approval**

None.

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