

Memo



Date: September 30, 2009
File: 0920-20-009
To: City Manager
From: Director, Real Estate & Building Services
Subject: CENTRAL GREEN - MULTIPLE BOTTOM LINE

Report Prepared by: Derek Edstrom, Strategic Land Development Manager

Recommendation:

THAT Council direct Staff to require the Central Green site achieve the LEED Gold Neighborhood standard and mandate all buildings on the Central Green site be built, at minimum, to a LEED Certified standard;

AND FURTHER THAT Council direct Staff to provide for 15% of the estimated residential units onsite be for affordable housing purposes.

Background:

Following City Council's unanimous approval of the Central Green development Concept Plan on September 29, 2008, Staff has been diligently preparing the Central Green site for rezoning. The City is taking the steps necessary to redevelop a thirteen acre land parcel on the corner of Harvey Avenue and Richter Street in a manner that is consistent with the approved Concept Plan and the wishes of the Community. The site Concept Plan envisioned the parcel being subdivided into a total of seven lots; five acres will provide for a community park and eight acres will provide for development.

The City has been undertaking detailed site and infrastructure design for the approximately 1 million square feet of planned LEED construction. It is proposed that Central Green will be rezoned under a Comprehensive Development Zone with site specific design guidelines to ensure the architectural integrity, sustainable design, and public open space is protected.

Part of the work required of Staff by Council prior to bringing forward the rezoning was to assess the multiple bottom line approach to redevelopment; including a financial analysis of the redevelopment. The recommendations made in this report follow this work.

REQUEST FOR PROPOSAL

The City is planning to undertake a detailed request for proposal ("RFP") process to ensure project delivery while meeting the multiple bottom line objectives of Council and the community. Staff plans to deliver a project that will demonstrate Province wide industry leadership by setting minimum standards and looking for increased levels of social, environmental, economic, and cultural objectives through the request for proposal process.

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During this process, the proponents' proposals will be assessed by a Staff committee using weighted multiple bottom line criteria. Proponents that offer a project that exceeds the minimum standards in any of the four areas would receive a higher proposal ranking. Under this proposed model the highest bid price may not be the ultimate purchaser, rather it will be their ability to best meet all of the multiple bottom line criteria set out in the RFP offering.

The key for the City is to not set the mandated requirements at too high of a level such that it deters proponents from putting in a proposal. Staff believes the mandated requirements of LEED Gold certification and 20% affordable housing will significantly hamper the quality and quantity of RFP submissions and affect the creativity that would come from developer proposals. We must move forward with the understanding that any mandated encumbrance placed on the property will reduce the amount a developer will be willing to pay for the property. At a minimum it will be at a dollar for dollar level, but may be higher due to development and financing risks.

Staff believes the most prudent path to balancing strong leadership in sustainability and project viability is to mandate the sustainability minimums at a level of LEED Certified construction for all buildings and 15% affordable housing. This will provide a high guaranteed base level for sustainability and allow for higher levels of sustainability to be achieved through a competitive RFP process. The Staff committee will also assess the proponents' experience and ability to complete as a measure of their suitability. Staff believes this is the optimal process to ensure the project is deliverable while best meeting the sustainability objectives.

Of note, the City is exploring the option of selling individual land parcels instead of the whole 8 acre development site. This will allow local developers to be a part of the Central Green experience and to raise the local sustainable knowledge economy as a whole.

SUSTAINABILITY

The model proposed in this report will allow the Central Green project to become a leader in sustainable design based on its demonstration sustainability targets:

- **40% of developable land will be contributed to a community park that focuses on pedestrian networks, community places, and community gardens**
- **A compact urban community that contains residential, commercial, office and park uses which promotes public open space through densification**
- **A target of 15% affordable housing throughout the whole Central Green site, including a contribution of a development parcel to an affordable housing provider**
- **A focus on energy and environmental design by covenanting land dispositions with LEED requirements**
- **Goal of a demonstration LEED Platinum building, LEED Neighbourhood Gold, and certification of every building on site to a LEED standard (approximately one million square feet of LEED certification)**
- **Wherever a LEED certification level is targeted, it is followed through with certification, versus stating that it is LEED equivalent**
- **The promotion of renewable energy sources**

- A focus on reducing personal vehicle travel by focusing on pedestrian and bike pathways, reducing parking requirements, promoting vehicle sharing, planning for a pedestrian highway overpass, and designing a site with a mantra of “no vehicles visible”
- **Bus rapid transit on-site**
- A site that actively plans for its water use and re-use
- To respect and integrate into the heritage area abutting the development
- Embrace the City of Kelowna crime prevention through environmental design (CPTED) principles
- To meet the high standards identified in the multiple bottom line criteria required by City Council
- To be branded as a leader in sustainable mixed-use developments

FINANCIAL ANALYSIS

The financial analysis has demonstrated that the Central Green multiple bottom was not balanced at the conceptual level. While the land use, density allocations, and site design continue to be viable, the previous requirements relative to LEED Gold standards and affordable housing are not. Stemming from previous Council direction, the Concept Plan proposed requirements of 20% affordable housing on site and that all buildings be built to at least a LEED Gold or equivalent standard. These requirements alone cause the multiple bottom line to be significantly unbalanced and provide no value for the economic objective. Our financial analysis has revealed that the costs associated with a mandated LEED Gold standard for all buildings and a 20% affordable housing requirement would be greater than the value of the land itself and would therefore not produce any economic return upon disposition. The Staff recommendations contained in this report aim to balance the multiple bottom line approach and improve the likelihood of a successful site redevelopment.

A fundamental concept to this financial analysis is the requirement for mandating integrated affordable housing units and LEED standards will directly reduce the value of the land. Hence, these mandates will be subsidized by the taxpayers. This conclusion is further supported by extensive market sounding and industry research.

In 2008, the Central Green redevelopment property value was assessed at approximately \$17 million. This assessment was based on peak land sales pricing.

To bring the multiple bottom line in better balance, Staff has made recommendations in this report to mandate, at a minimum, that all buildings on the site be LEED Certified construction and that there be a minimum of 15% affordable housing.

MULTIPLE BOTTOM LINE

Staff engaged consultants to provide a template for assessing capital projects based on a multiple bottom line analysis, which also includes a cultural objective. The assessment template was constructed based on other municipalities' best practices and Staff input. The assessment template has defined indicators to appropriately assess the social, environmental, economic, and cultural objectives.

Central Green was assessed based on the recommendations provided in this report by senior Staff and received full support to move forward with these recommendations in place at the LEED Certified and 15% affordable housing levels. The ratings for each objective were as follows:

- Exceeds standards and expectations
 - Environmental objective
 - Social objective
 - Cultural objective
- Minimum standards and expectations met
 - Economic objective

-2	-1	0	1	2
Below standards and expectations		Minimum standards and expectations met		Exceeds standards and expectations

Internal Circulation:

Design & Construction Service Department
Infrastructure Planning Department
Policy & Planning Department
Land Use Management Department

Considerations not applicable to this report:

Legal/Statutory Authority:
Legal/statutory Procedural Requirements:
Existing Policy:
Financial/Budgetary Considerations:
Personnel Implications:
Technical Requirements:
External Agency/Public Comments:
Communications Considerations:
Alternate Recommendation:

Submitted by:



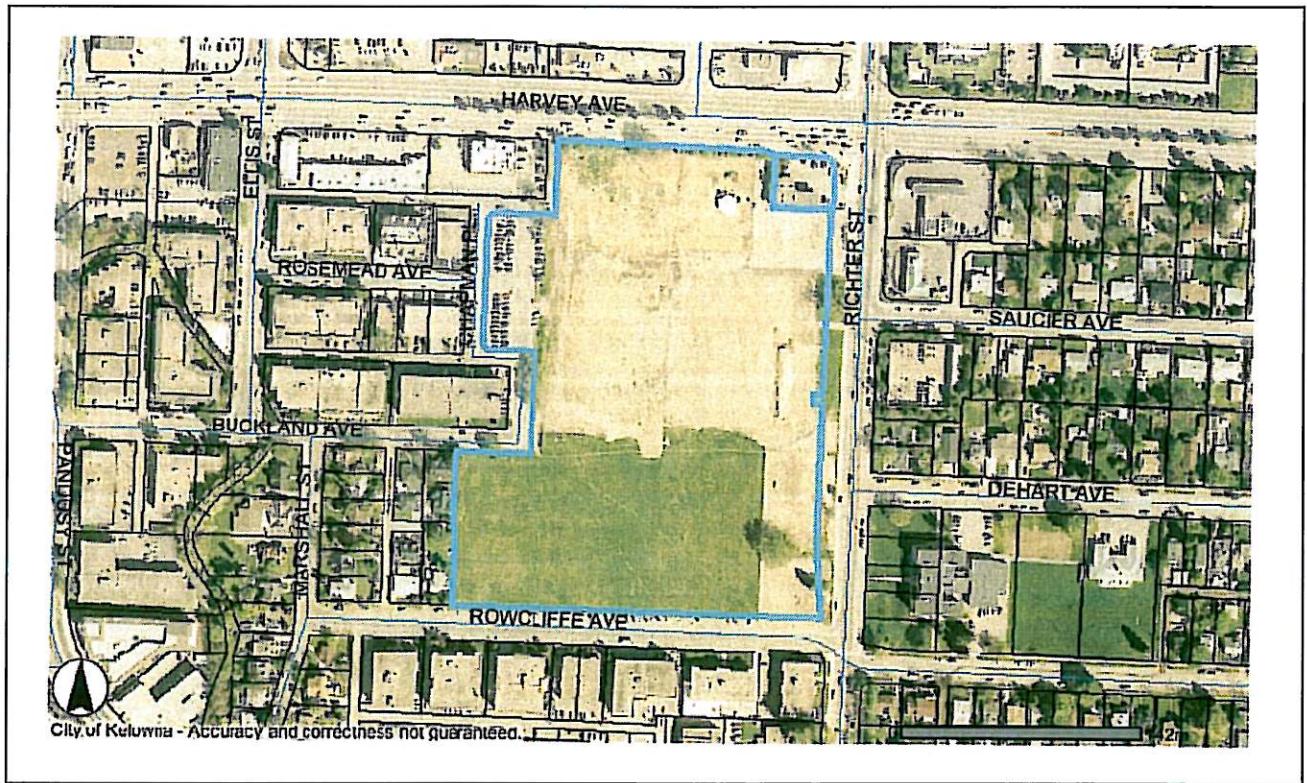
Doug Gilchrist, PMP, RI(BC)
Director, Real Estate & Building Services

Approved for inclusion:



John Vos, General Manager, Community Services

cc: Director, Design & Construction Service Department
Director, Infrastructure Planning Department
Director, Policy & Planning Department
Director, Land Use Management Department



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CENTRAL GREEN

MULTIPLE BOTTOM LINE

AGENDA

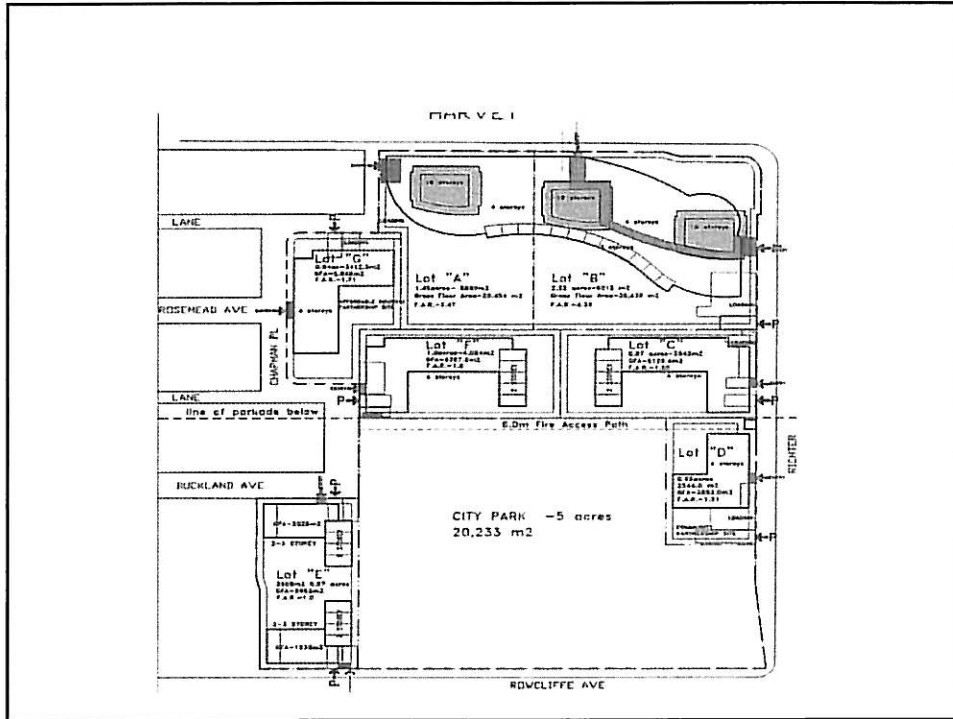
- ▶ KSS site background
- ▶ Redevelopment process
- ▶ Request for proposal
- ▶ Sustainable design
- ▶ Financial analysis
- ▶ Multiple bottom line
- ▶ Next steps

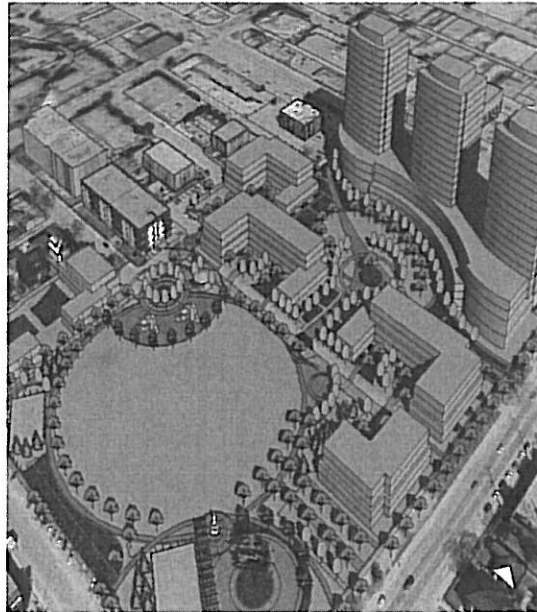
KSS SITE BACKGROUND

- ▶ September 2002, the City assumed full ownership
- ▶ Site went out for tender in 2004
- ▶ Four proposals received
- ▶ Council did not recommend the acceptance of any tender
 - ▶ Did not meet objectives set forth
- ▶ Instructed staff to undertake a redevelopment process
 - ▶ Increased land value
 - ▶ Increased sustainability focus
 - ▶ Affordable housing
 - ▶ Park (minimum 5 acres)

REDEVELOPMENT PROCESS

- ▶ Council direction and vision
 - ▶ Council's guiding principles
 - ▶ Council's triple bottom line approach
- ▶ Stakeholder / team building
- ▶ Public consultation
 - ▶ Public sketch, dotmocracy, park design
- ▶ Draft development plan
- ▶ Partnership development (BC Housing, LEED Platinum)
- ▶ Finalize plan, subject to financial analysis and economic conditions
- ▶ Financial analysis / multiple bottom line
- ▶ Prepare CD Zone for rezoning



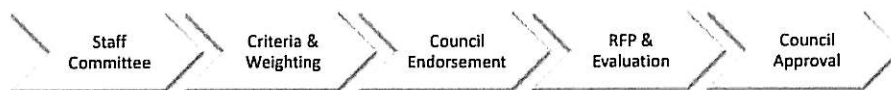


REQUEST FOR PROPOSAL

- ▶ Recommendations focus on defining a project that provides balanced industry leadership
- ▶ Focus on project delivery while meeting multiple bottom line
- ▶ Set achievable standards for Social and Environmental objectives
- ▶ Ensure first-rate developers bid on properties
- ▶ Competitive process drives innovation

REQUEST FOR PROPOSAL

- ▶ Rely on the strength of the RFP process for higher levels of Social and Environmental objectives
 - ▶ Committee review of proposals using weighted criteria
 - ▶ Multiple bottom line criteria
 - ▶ Values for proposed higher levels
 - ▶ Proponent experience and financial strength



SUSTAINABLE DESIGN

- ▶ 40% of land contributed to community park
- ▶ Compact urban community that promotes public open space
- ▶ 15% affordable housing, including a development parcel contribution
- ▶ Covenant land dispositions with LEED requirements
- ▶ Goal of a demonstration LEED Platinum building, LEED Neighborhood Development Gold, certification of every building to a LEED standard

SUSTAINABLE DESIGN

- ▶ LEED certification versus stating LEED equivalent
- ▶ Promotion of renewable energy sources
- ▶ Focus on pedestrian and bike pathways
- ▶ Plan for a pedestrian highway overpass
- ▶ Mantra of “no vehicles visible”
- ▶ Bus rapid transit on-site
- ▶ CPTED principles
- ▶ Multiple bottom line project assessment

FINANCIAL ANALYSIS

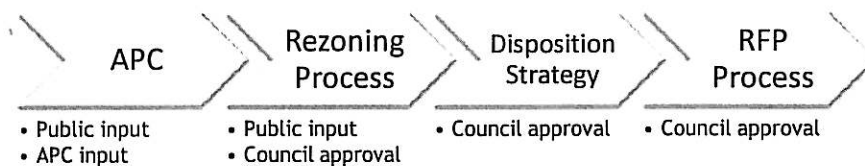
- ▶ Analysis revealed multiple bottom line unbalanced
- ▶ Mandating requirements reduces land value
- ▶ LEED Gold and 20% affordable housing reduces economic objective to zero
- ▶ Essentially at cost to taxpayers
- ▶ Recommend:
 - ▶ LEED Gold Neighborhood Development
 - ▶ LEED Gold BC Housing building
 - ▶ LEED Platinum demonstration building
 - ▶ LEED Certified
 - ▶ 15% affordable housing

MULTIPLE BOTTOM LINE

- ▶ Central Green assessed by senior Staff based on new recommendations, received passing grade
 - ▶ Exceeds standards and expectations
 - ▶ Environmental objective
 - ▶ Social objective
 - ▶ Cultural objective
 - ▶ Minimum standards and expectations met
 - ▶ Economic objective

NEXT STEPS

- ▶ Project timing
 - ▶ CD Zone has been drafted
 - ▶ Additional planning and legal work to finalize zone
 - ▶ Expected public process first reading in 2009
- ▶ Disposition strategy will be presented to Council
 - ▶ Recommendation dependent on current market conditions



RESOLUTIONS

- ▶ THAT Council direct Staff to require the Central Green site achieve the LEED Gold Neighborhood standard and mandate all buildings on the Central Green site be built, at minimum, to a LEED Certified standard
- ▶ AND THAT Council direct Staff to provide for fifteen percent of the estimated residential units onsite be for affordable housing purposes