



# Municipal Development Corporation

## Feasibility Study

Merritt, BC

Prepared for the City of Merritt

February 4, 2024



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February 4, 2024

Holly Ferris – Housing Director  
City of Merritt  
2185 Voght Street, V1K 1B8  
Merritt, BC

Dear Holly Ferris,

**RE: Municipal Development Corporation – Feasibility Study (Merritt, BC)**

urbanMetrics inc. is pleased to submit this Municipal Development Corporation Feasibility Study to the City of Merritt. This study outlines the key challenges and opportunities faced by the City in leveraging its residual housing funds to build housing and support community and municipal development. It also presents an analysis of a thorough consultation process with subject matter experts, synthesizing the results of more than 25 conversations.

The Study highlights potential roles for the City of Merritt in facilitating projects. These roles are mapped to corresponding organizational structures, the strengths and weaknesses of which are identified for consideration.

Subsequently, the study analyses three example development opportunities that provide a lens through which to consider potential roles for the city and preliminarily identify possible development outcomes. Lastly, the consulting team recommends that the City of Merritt either expand its internal capacity to take on projects or create a Housing and Development Commission, as an external development corporation requires financial and administrative start-up costs that are not matched by the likely returns from the development opportunities.

Warm Regards,

A handwritten signature in black ink that reads "Rowan Faludi".

Rowan Faludi, CMC, MCIP, RPP, PLE  
Partner,  
urbanMetrics Inc.

A handwritten signature in black ink that reads "Tywen Thomas".

Tywen Thomas, MSc.  
Sr. Project Manager  
urbanMetrics inc.



# Contents

Executive Summary .....	1
<b>1.0 Introduction.....</b>	<b>4</b>
1.1 Terms of Reference.....	5
1.2 Context.....	6
Dedicated Housing Funding .....	6
Housing Need.....	6
Impacts on Core Service Areas .....	7
<b>2.0 Expert Consultation.....</b>	<b>9</b>
2.1 External Subject Matter Experts .....	10
Real Estate, Business, and Government Housing.....	10
Non-Government Housing, Wellness, and Cultural Organizations .....	11
2.2 Municipal Leadership & Key Staff .....	12
<b>3.0 Development Roles .....</b>	<b>14</b>
3.1 Developer Roles .....	15
3.2 Organizational Structures.....	17
<b>4.0 Example Development Opportunities.....</b>	<b>19</b>
2102 Coutlee Avenue.....	20
Example Development Outcomes.....	21
4150 Airport Road .....	22
Example Development Outcomes.....	23
1898 Blair St / 2352 Quilchena Ave.....	24
Example Development Outcomes.....	25
<b>5.0 Key Considerations.....</b>	<b>27</b>
5.1 Goals.....	28
5.2 Capacity & Expertise .....	28
5.3 Financial Considerations .....	29
5.4 Development Opportunities .....	29
<b>6.0 Conclusion .....</b>	<b>31</b>

6.1 Option A: Internal Housing Department.....33  
6.2 Option B: Housing & Development Commission..... 34  
6.3 Next Steps..... 36

## Figures

Figure 1: 2102 Coutlee Avenue Aerial .....21  
Figure 2: 4150 Airport Road Aerial.....23  
Figure 3: 1898 Blair St - 2352 Quilchena Ave Aerial.....25  
Figure 4: Under One Roof - Squamish, BC ..... 26

# Executive Summary

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- The City of Merritt manages and administers between \$6 million and \$9 million of housing funding and assets that primarily stem from the response to the 2021 Coldwater flood. These assets comprise some \$4 million in reserve funds and 31 manufactured homes worth between \$2 million and \$5 million.
- By the end of 2025, a clear plan for housing-related investments must be in place to meet provincial requirements and retain the funds within the community.
- Housing needs in Merritt include affordable rentals, workforce housing, and downtown intensification to support a higher quality of life and economic growth. Leveraging municipally owned properties and fostering partnerships with private and non-profit partners present opportunities to address these challenges.
- This feasibility study examines potential structures for deploying housing funds ranging from an internal housing department to a municipal development corporation (MDC). The spectrum of potential approaches was evaluated based on alignment with the City’s financial and human resource capacity, timelines, objectives, and potential projected-related needs.
- Additional information on the full spectrum of approaches and case study examples can be found in “Exploring Municipal Development Pathways for the City of Merritt”, a background report prepared prior to a presentation to Council on December 3rd, 2024.
- The consulting team identifies two potential alternative pathways forward: an expanded internal housing department or creating a municipal housing commission.
- An internal housing department would be the most expedient and the least expensive to initiate, with an ability to immediately start working on projects and be subject to normal council approval. An internal department would also be capable of transitioning into a different entity in the future. This model would rely on existing staff resources and external expertise through technical consultants for specific requirements as part of development projects.
- A commission structure would require more work and potentially more funding to initiate but would have the potential to streamline decision-making and leverage external expertise through the board structure. In

addition, it clearly demonstrates the separation of the housing funds from the City's core service areas.

- Next steps include council endorsement of one of the recommended options, followed by community engagement to inform and confirm priorities, analyzing public feedback, and developing a detailed implementation plan that identifies required staffing, finalizes development opportunities, and scopes the procurement process for partnerships.



# 1.0 Introduction

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# 1.1 Terms of Reference

This Feasibility Study is structured to achieve two criteria. First, it is intended to guide the City of Merritt in deciding the most appropriate approach for maximizing the value of its housing funds. Second, it is structured to satisfy the necessary background reports required by the Inspector of Municipalities in the event the City should ask for approval of a municipal development corporation.

The Feasibility Study was conducted according to the following work plan:

1. **Current State Assessment:** an evaluation of available economic, social, and spatial data to serve as context and provide insights as to the challenges and opportunities facing the City of Merritt, the local community, and the real estate and development industries.
2. **Environmental Scan:** A review of innovative approaches to municipal development and real estate project management, as well as the identification of comparative examples to the City of Merritt.
3. **Opportunity Evaluation:** A review of municipally owned properties and potential opportunities for partnership with other stakeholders.
4. **Expert Consultation:** Interviews with local community leaders, subject matter experts, members of the development community, other external agencies, and key City of Merritt staff.
5. **Validation:** A review of the governance and financing structure for organizational models relevant to the City of Merritt and an assessment of each model's risks and opportunities for Merritt. This stage included a publicly accessible workshop with the City of Merritt Council.
6. **Delivery:** The identification of potential development models and an evaluation of the level of alignment between different models, the challenges and opportunities facing the City of Merritt, and the specific properties that represent potential development opportunities.
7. **Finalization:** The delivery and presentation of our report and recommendations to Council.

## 1.2 Context

### Dedicated Housing Funding

As part of the emergency response to the 2021 Coldwater flood, the City received funds and physical assets from the Province of British Columbia to use as part of the immediate emergency response and to invest in rebuilding and improving housing. As of January 2025, not all of this money was spent, and the City has residual assets of some \$4 million in reserve, as well as 31 manufactured homes that were acquired as an emergency measure to house victims of the flood. Many of these homes are no longer required as part of the flood relief response, are financially and operationally challenging for the City to manage in their current location, and are available for disposition. Preliminary estimates undertaken by the City suggest that these manufactured homes could generate between \$2.5 million and \$5 million in additional funds, subject to agreeing to their sale.

These assets come with conditions—a plan to sell the manufactured homes and deploy the residual funds to provide housing must be in place by the end of 2025.

In this context, this feasibility study is intended to identify the appropriate vehicle for deploying these funds that satisfies the Province’s requirements for a clear plan to be in place by the end of 2025.

### Housing Need

The City of Merritt has experienced moderate population growth, with BC Stats estimating a population of 7,606 in 2021. The Official Community Plan (2022) projects a population range of 8,362 to 12,081 by 2041, depending on growth scenarios. This growth underscores the need for increased housing supply and municipal services to accommodate the expanding population.

Key demographic shifts include:

- An aging population, increasing demand for accessible and senior-friendly housing.
- A growing Indigenous population, which represented 22.9% of the total population in 2016<sup>1</sup>, and requires culturally appropriate housing and services.

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<sup>1</sup> City of Merritt Economic Development Strategy 2022-2031

- Continued in-migration from larger metropolitan areas, driven by Merritt’s relative affordability and lifestyle opportunities.

Merritt faces a significant housing shortage exacerbated by the November 2021 Coldwater River flood. The Merritt Housing Needs Report (2021) identified:

- A lack of diverse housing options.
- A critical shortage of rental units.
- Gaps in affordable and attainable housing

The City’s housing challenges necessitate innovative solutions that leverage municipal assets, such as underutilized land, to create a mix of housing types. Increasing the City’s organizational ability to undertake housing and development projects could be pivotal in addressing these issues by facilitating partnerships with private developers and NGOs to deliver transitional, affordable, and market-rate housing.

## Impacts on Core Service Areas

The City of Merritt is responsible for delivering various services, including infrastructure development, social services, and economic development. A strategic approach to real estate development through a development entity offers opportunities to enhance these core areas by aligning municipal assets and resources with long-term goals.

- **Infrastructure Development:** Strategic real estate management can help identify surplus or underutilized municipal properties to support projects like affordable housing, transportation hubs, and municipal facilities. For example, surplus lands near the city center could be redeveloped to support housing and mixed-use projects that address pressing infrastructure needs.
- **Social Services:** A well-managed MDC can incorporate affordable housing and social service facilities into its development portfolio, directly addressing challenges identified in the Merritt Housing Needs Report. Initiatives can also include partnerships with NGOs and Indigenous organizations to create culturally appropriate housing and support services.
- **Economic Development:** Real estate projects initiated by an MDC can spur local economic growth by attracting private investment, fostering business retention, and creating vibrant spaces such as mixed-use developments in the downtown area. The Merritt Economic Development Strategy

emphasizes economic diversification and city-center revitalization, both of which align with the objectives of an MDC.

As part of the multi-government response to the Coldwater flood in 2021, the City currently manages 31 manufactured homes. Managing residential properties is outside the scope of the City’s core service areas and has challenged the capacity of City staff and the limitations of the traditional organizational structure. In response to these demands, the City brought in a Director of Housing to manage these demands, including overseeing this feasibility study and the delivery of residual housing funding.

The City faces an array of organizational challenges in continuing to deliver or improve the services it provides. Many of these challenges are not unique to Merritt and are shared by small and mid-sized municipalities across Canada. In Merritt, many of these structural challenges were worsened by the impacts of the COVID-19 pandemic and the 2021 Coldwater flood. Some of the more acute challenges facing the City include:

- High staff turnover and limited technical expertise in real estate and development.
- A strain on municipal capacity to manage complex projects or implement strategic plans effectively.
- Budgetary pressures to balance fiscal responsibility for infrastructure maintenance and upgrades with property taxes that do not worsen affordability.

These constraints underscore the importance of continuing to build the capacity of the municipal organization, ensuring that investments deliver value for money, and developing a more strategic approach to asset management.

## 2.0 Expert Consultation

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The engagement portion of this project involved interviews and workshops. Interviews were conducted with 22 subject matter experts, including members of the City leadership team, key staff members from the City of Merritt, representatives from the real estate, business, and government housing sectors, and representatives from non-government housing and community organizations.

In December 2024, the consulting team held a workshop with Council to discuss background information on strategic approaches to real estate, municipal development corporations, and options for the City.

The following sections summarize the key themes from the interviews with external subject matter experts and key City of Merritt leadership team members.

## 2.1 External Subject Matter Experts

The following represents aggregated feedback from subject matter experts working in real estate, business, government housing, non-profit housing, charitable and community sectors in Merritt and the broader region.

### Real Estate, Business, and Government Housing

#### Capacity and Expertise Challenges

There was general agreement that the City of Merritt could benefit from an increase in internal organizational capacity and more technical expertise to undertake large-scale development projects directly or operate an MDC effectively. Concerns include inexperienced staff, high turnover, and limited resources to manage complex development processes. To fill these gaps, the city would need to hire additional staff or rely heavily on partnerships with private developers, external experts, or consultants.

#### Collaboration with Indigenous Development Corporations

The Indigenous community represents almost one-quarter of the City's population. Collaboration with local First Nations is seen as both a necessity and an opportunity for success. However, despite the significant potential for partnerships, there are currently limited interactions between the City and Indigenous development corporations. Establishing an MDC could foster cooperation, though it must address sensitive issues like governance, equity, and trust.

#### Streamlining Development Processes

Sometimes slow, inconsistent, and bureaucratic approval processes are seen as a barrier to development in Merritt. Stakeholders emphasized the importance of pre-

zoning, improving the permitting process, and enhancing staff capacity to reduce bottlenecks. An MDC could mitigate some of these issues by managing high-profile projects more efficiently and aligning them with municipal goals.

#### Addressing Land Availability and Housing Needs

Merritt faces a significant shortage of shovel-ready and greenfield residential development land, compounded by challenges in making underutilized sites like the Tolko grounds viable for development. Affordable, attainable, and diverse housing options are needed. The City has opportunities to use its assets strategically, such as vending land through joint ventures. An MDC could focus on addressing gaps in the housing supply, particularly for market-rate and transitional housing.

#### Public Perception and Risk Mitigation

Public perception of municipal involvement in development is a delicate issue in Merritt. Concerns about competing with the private sector, financial risks, and historical experiences with municipal projects necessitate a cautious and transparent approach. A partnership model, rather than direct competition, is seen as more politically and publicly palatable. Any MDC must clearly communicate its value proposition and ensure transparency in its operations

## **Non-Government Housing, Wellness, and Cultural Organizations**

#### Collaboration for Holistic Community Development

There is a strong emphasis on partnerships to address Merritt's social challenges, particularly homelessness, housing shortages, and support services for marginalized populations. Organizations highlighted the need for culturally sensitive and community-focused housing ecosystems rather than piecemeal projects. Collaboration with NGOs to co-create solutions can enhance social capital and address pressing needs.

#### Culturally Appropriate and Integrated Housing Solutions

Stakeholders emphasized the importance of housing projects that meet cultural and community-specific needs, particularly for First Nations and vulnerable populations. Incorporating culturally appropriate design and service integration into housing projects could make an MDC a more inclusive and effective tool. Examples include youth-focused housing and services, as well as shelters integrated with addiction and mental health support.

#### NGOs as Partners in Service Delivery and Capacity Building

Despite resource constraints, NGOs and community organizations are delivering critical services. An MDC could leverage these organizations' expertise and



operational knowledge to expand services or deliver housing projects more effectively. Support from the City in the form of land access, funding facilitation, or project partnerships can strengthen these relationships.

#### Streamlining City Support for Development and Operations

Stakeholders noted the need for the City to take an active yet strategic role in supporting development projects. This includes ensuring streamlined approvals, pre-zoning, and addressing funding and expertise gaps in construction and operations. The City's role in coordinating resources and partnerships could help overcome barriers NGOs and community organizations face.

## 2.2 Municipal Leadership & Key Staff

The following represents aggregated feedback from a series of interviews with leadership and key staff from the Corporation of the City of Merritt conducted between November 2024 and January 2025.

#### Aging Infrastructure and Funding Constraints

Merritt faces significant challenges with aging water and sewer systems nearing capacity, which could hinder medium- to long-term development. Coupled with an unfunded flood mitigation plan, these issues highlight the need for sustainable infrastructure investments to ensure long-term resilience. Balancing the expectations of new residents, especially those relocating from urban areas, with the City's existing service limitations adds another layer of operational complexity. Addressing these infrastructure needs will require careful financial planning, including potential property tax increases and/or tapping into upper-level government funding sources.

#### Downtown Revitalization as an Economic Driver

Downtown revitalization emerged as a priority, with staff emphasizing the importance of intensification to boost the tax base, support local businesses, and enhance livability. Housing development downtown was highlighted as a critical tool to stimulate demand for goods and services, fostering economic growth. Investments in placemaking, local markets, and community events were also identified as opportunities to improve downtown vibrancy and attract residents and visitors.

#### Strategic Land Use and Municipal Property Retention

Retaining municipal land ownership was essential for maintaining long-term flexibility in development planning. Innovative agreements, such as long-term leases, were suggested to enable development while ensuring municipal control. This approach could help the City maximize the strategic value of its land holdings without compromising future opportunities.

#### Housing as a Catalyst for Economic Growth

Workforce housing was recognized as a key intersection between housing and economic development. Developing mixed-use housing projects downtown could increase urban density and catalyze economic activity. Workforce housing initiatives were seen as essential to attract and retain a stable local workforce, benefiting businesses and reducing the City's role as an out-commuter town. Addressing the prevalence of secondary and non-conforming suites was also noted as an area requiring better quantification to inform housing strategies.

#### Operational Capacity and Collaboration

The City's limited staff capacity and high turnover underline the need for scalable strategies focused on execution rather than governance alone. Staff highlighted the importance of fostering interdepartmental and external collaboration to enhance strategic execution. A clear sustainability and reinvestment plan is necessary for long-term success. Past issues with property management and external entities underscore the need for strong leadership and oversight in future projects. Partnerships and strategic agreements, along with investments in placemaking, were also seen as critical to enhancing the City's value proposition and aligning with economic and housing priorities.

## 3.0 Development Roles

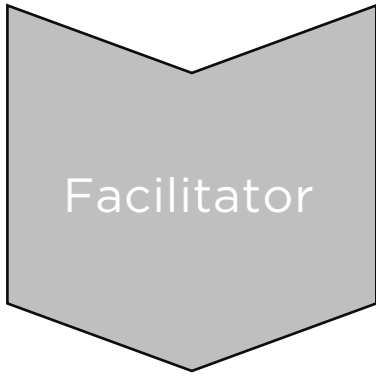
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## 3.1 Developer Roles

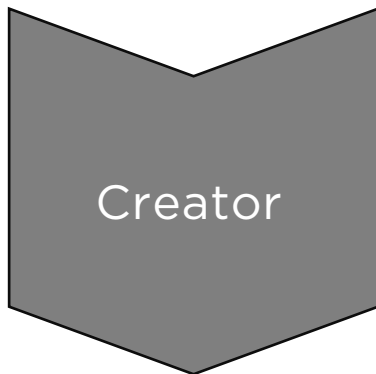
Four potential roles have been identified for the City of Merritt in municipal real estate and strategic development. These four roles—facilitator, Creator, Partner, and Developer—were presented and analyzed in the November 2024 report “Exploring Municipal Development Pathways for the City of Merritt” and highlighted in a workshop with Council on December 3<sup>rd</sup>, 2024.

The roles have been identified based on past experience by urbanMetrics and the results of our consultations with community leaders and experts. Each role reflects a different level of involvement, capacity, and risk and is best suited to different types of projects and sets of constraints, resources, challenges, and opportunities.

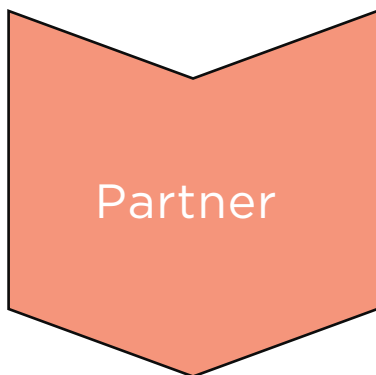
- The Facilitator role focuses on traditional municipal functions like planning, zoning, and infrastructure provision to enable private sector-led development.
- As a Creator, municipalities take a more proactive approach by acquiring, assembling, and preparing land to align with community priorities, often partnering with developers to execute projects.
- The Partner role involves collaboration with private sector entities, sharing risks and benefits to achieve strategic goals, such as mixed-use developments or public-private infrastructure projects.
- The Developer role sees municipalities leading development projects directly, often through autonomous corporations, to retain control over project outcomes and revenue generation.



- Undertake land use planning, zoning, and infrastructure delivery to enable development in line with municipal priorities
- Create and deliver masterplans
- Basic infrastructure provision
- Rely heavily on market forces to drive development
- Has limited influence over outcomes such as affordability or uses included



- Make underutilized or acquired municipal property available for development
- Leverage investments in infrastructure, the arts, sports & recreation as part of private developments
- Undertake some land assembly or servicing
- Enable more strategic involvement in development and additional control over outcomes
- Emerge as a more attractive partner for the private sector



- Contribute legal, financial, and project management expertise to enter into joint venture agreements and assess risks
- Undertake remediation, site preparation, etc.
- Use EOI, RFQ and RFP process to find developers and constructors for properties
- Require robust governance structures to balance public and private roles
- Enable shared risks with other partners but increases complexity and exposure



- Able to autonomously use and generate own-use revenues outside of municipal budget process, under direction from Council
- Actively take properties through the entire development process
- Share risk with private or other public sector partners
- Best suited for long-term, high-impact projects
- Higher upfront and operational costs but provides maximum control over outcomes and increases potential for revenue generation

## 3.2 Organizational Structures

Each role aligns with a different organizational structure that aligns the necessary resources, provides the appropriate level of decision-making authority and autonomy, leverages the right amount of external advice and experience, and suits the municipality's available financial resources. In general, these structures exist on a spectrum from traditional decentralized municipal departments to a centralized external corporation with a specific focus on development.

- Decentralized Municipal Departments

This common structure involves individual municipal departments managing aspects of development within their specific mandates. These departments function largely independently, providing regulatory oversight, processing applications, and creating and implementing policies. It is a lower-cost and low-risk approach suited for municipalities primarily acting as regulators or facilitators.

- Centralized Municipal Development Department

A centralized approach consolidates development responsibilities within a dedicated division or department, enhancing coordination and focus. This model allows municipalities to engage more directly in planning and land assembly efforts, providing a clearer strategic direction. Centralized divisions are more agile than decentralized ones, but they still operate within the municipal structure, limiting their flexibility and risk appetite.

- Internal Partnerships

In an internal partnership, the municipality enables collaboration across divisions or with quasi-independent bodies such as housing authorities or economic development committees. These partnerships often leverage municipal assets and expertise to undertake more proactive roles, such as land preparation or issuing Requests for Proposals for targeted projects. This structure balances strategic control and operational flexibility, allowing municipalities more influence on development outcomes without incurring significant financial or operational risks.

- External Partnerships

External partnerships engage private-sector entities or non-profit organizations through joint ventures, agreements, or service agreements. Municipalities typically contribute land, financing, or infrastructure, while external partners provide additional capital, expertise, market access, or execute operational functions. This model allows municipalities to share risks and benefits while achieving strategic

goals. However, external partnerships require strong governance and negotiation capacity to ensure municipal priorities are met.

- Limited External Corporations or Associations

Limited external corporations are municipally owned entities that manage specific assets or projects. They operate semi-independently with their own boards and financial structures but remain directly accountable to the municipal council. These entities, such as recognizable Economic Development Corporations (EDCs), Housing Authorities, or Housing Corporations, focus on limited activities or sectors like land assembly, project management, non-market housing, industrial development, etc.

- Self-Sufficient External Corporation

At the highest level of autonomy, municipalities establish self-sufficient external development corporations. These entities are designed to operate autonomously, with direct oversight provided on an annual or 3-to-5-year basis. This enables them to act quickly, secure financing, and manage large-scale or complex projects. While this model offers the most control and potential benefits, it carries the highest risk and requires substantial resources, governance, and municipal capacity organizational capacity to create and manage.

# 4.0 Example Development Opportunities

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Development opportunities were identified through a combination of the consulting team’s analysis and feedback from internal and external stakeholders. The first phase of this task was a review of municipally owned property using information provided by the City of Merritt and hosted on Catalis GIS. These identified opportunities were then evaluated with the City’s project team, and further opportunities were identified through the stakeholder engagement process, with some parties identifying their own properties as potential development opportunities for municipal involvement in housing delivery.

The following sections profile three opportunities that have been identified as most feasible for the initial deployment of housing funds.

## 2102 Coutlee Avenue

- Current Use: Vacant Undeveloped
- 2024 Assessed Value: \$447,000
- Owner: City of Merritt
- Area: 2,280.6 square metres (24,548 square feet) 0.56 acres
- OCP Designation: Urban Centre
- Zoning: City Centre District

2102 Coutlee Avenue is located in downtown Merritt at the intersection of Coutlee Avenue and Garcia Street, across from the Railyard Mall. Approximately 0.56 acres in size, the zoning and land use framework allows for multi-residential uses and a variety of commercial and cultural uses. Table 7.18.7 in the Zoning By-law (“ZBL”) provides that minimum setbacks on all sides are 0 metres, the maximum height is the lesser of 25 metres or 6 storeys, and the maximum parcel coverage is 95%. The ZBL permits 100% parcel coverage if a rooftop garden that covers a minimum of 15% of the roof surface is provided.

Figure 1: 2102 Coutlee Avenue Aerial



SOURCE: City of Merritt Catalis GIS

## Example Development Outcomes

A preliminary review suggests the site is unencumbered by major development constraints. It has permissive zoning that allows a variety of uses and 95-100% lot coverage. The downtown location across from an established retail/commercial property supports many potential uses.

The results of the expert consultation and engagement and development trends at the provincial and national level support the development of a mixed-use property with multifamily residential units and commercial space at grade. Such a project could address many of the goals identified in the consultation and engagement phase. Delivering more housing units downtown increases housing options for a variety of key community groups, including those accessing services in the downtown area and employees who work downtown and do not drive or own a

car. It also increases the residential population downtown, building a more substantial market base for Merritt's downtown businesses.

In a mixed-use multifamily development, the site presents the opportunity for both market and non-market residential units. Non-market units could be considered as the municipal ownership of the site eliminates the need to consider land acquisition costs in evaluating the feasibility of the development. However, market-rate residential units could present an opportunity for revenue generation.

- Property management
- Rental over condominium ownership
- Level of complexity does not require an external corporation

## 4150 Airport Road

- Current Use: Vacant Undeveloped
- 2024 Assessed Value: N/A
- Owner: City of Merritt
- Area: 8,238 square metres 2.04 acres
- OCP Designation: Service Commercial/Airport Commercial
- Zoning: Service Commercial/Airport Commercial

4150 Airport Road is located adjacent to the Merritt Airport across from the Walmart Supercentre. Approximately 2 acres in size, applicable land use and zoning policies permit a range of light industrial and commercial uses under a Service Commercial and Airport Commercial zoning class, both of which apply to parts of the property. Residential uses are not permitted under the current planning and zoning framework. Maximum parcel coverage is 80 or 85% depending on the applicable zoning class unless otherwise restricted by Transport Canada regulations.

The surrounding land uses, land use framework, and site characteristics mean that the site is best suited for light industrial or commercial uses but could be rezoned and/or redesignated to facilitate the development of other uses.



Figure 2: 4150 Airport Road Aerial



SOURCE: City of Merritt Catalis GIS

## Example Development Outcomes

There are three major development constraints on the property. Firstly, the site requires significant earthworks to facilitate any form of development. It is our understanding that preliminary earthworks are in process at the time of writing. Secondly, the parcel is immediately adjacent to the airport and is subject to Transport Canada Airport Zoning Regulations. Based on regulations at similar airports across Canada, this restricts the developable area of the property.

The most logical use would be for industrial or commercial uses in keeping with surrounding land uses and adjacent airport. However, one potential residential option for the property is an interim use to either facilitate the sale of the City's 31 manufactured homes, or support their use as temporary housing.

## 1898 Blair St / 2352 Quilchena Ave

- Current Use: Vacant Industrial
- 2024 Assessed Value: \$561,200 (combined)
- Owner: Nicola Valley Food Bank Society
- Area: 2,785 square metres (29,978 square feet) – 0.69 acres
- OCP Designation: Medium to High-Density Residential
- Zoning: City Centre District (C6)

The property comprises two parcels, 1898 Blair Street and 2352 Quilchena Avenue and was recently purchased by the Nicola Valley Food Bank Society. Combined, the property is approximately 0.69 acres. It is designated Medium to High-Density Residential in the Official Community Plan and zoned as the City Centre District class. This land use and zoning framework permits a mix of commercial, residential and institutional uses with a maximum height of the lesser of 25 metres or 6 storeys and a 95% lot coverage ratio that can be increased to 100% with the provision of rooftop gardens constituting 15% of the roofed area.

Figure 3: 1898 Blair St - 2352 Quilchena Ave Aerial



SOURCE: City of Merritt Catalis GIS

## Example Development Outcomes

It is our understanding that the Nicola Valley Food Bank purchased the properties to develop a food bank and community hub location, as informed by “Under One Roof,” a community food hub in Squamish. The Under One Roof facility was constructed through a partnership between Squamish Helping Hands, the Squamish Food Bank, BC Housing, and the District of Squamish.

The 4-storey Squamish building is a hub for various community services, ranging from financial education, such as income tax filing assistance, to expanded food bank operations delivered through a commercial kitchen, including a 15-bed emergency shelter. The project has 45 suites, 30 of which are longer-term housing, with 15 retained as emergency shelter units and an additional 8 emergency shelter beds on the ground floor.



Figure 4: Under One Roof - Squamish, BC



SOURCE: Image from project architect Station One Architects

In addition to the longer-term and emergency shelter housing, the ground level provides a commercial kitchen, laundromat, space for the food bank, a Vancouver Coastal Health Office, and community lounge space. The estimated build cost of the project was approximately \$7 million<sup>2</sup>, with the District of Squamish paying an additional \$600,000 in infrastructure costs to enable development to proceed<sup>3</sup>.

It is our understanding that the Food Bank has already begun consultation with the team who delivered the Under One Roof facility and is beginning to move forward with preliminary stages of the project.

The complexity and financing restrictions of the partners mean that the scale of the project and the scope of services provided will be determined by the assembled development and operational partners. In our opinion, the City could add value to the project and enable a greater depth of service or the inclusion of more units. The City could take various roles, from an active partner who can influence the outcome to a facilitator who reduces barriers for the food bank and other partners to realize their vision for the project.

The estimated building cost for a similar project would exceed the city's financial capacity, highlighting the need to collaborate with other partners and assemble a diverse capital stack to undertake the project.

<sup>2</sup> According to information from project architect Station One Architects

<sup>3</sup> According to reporting by the Squamish Chief

## 5.0 Key Considerations

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The ideal organizational approach to maximizing the value of the City’s dedicated housing funding is based on a combination of the City’s goals, the available expertise, financial considerations, including the costs of development and the City’s financial position, and the requirements to realize the development opportunities identified in the previous section.

## 5.1 Goals

The expert consultation process and Council workshop identified a broad range of desired outcomes that can generally be separated into three areas: housing, economic development, and financial.

Identified housing goals included providing additional housing diversity and supporting intensification in the downtown. At the highest level, the housing goal is taking steps to ensure that every Merritt resident has a place to live. At a more granular level, many experts spoken to during the consultation phase identified the need to support housing intensification in the downtown to provide options for residents who do not have private transportation and would benefit from living in proximity to the downtown and boost the customer base for downtown businesses.

Throughout the project, many economic development goals were identified, including downtown revitalization, supporting local businesses, attracting industrial development, and broadening and deepening the tax base. Delivering higher-density housing units downtown has the potential to work toward many of these goals.

In addition to goals related to housing and economic development, many of those engaged identified the need for housing funds to be used in such a way that financially benefits the community and the City. This could be accomplished directly or indirectly through market housing with the potential for one-time or recurring revenues, or non-market housing and/or mixed-use commercial space that supports increased assessed values and property taxes while assisting local economic development.

## 5.2 Capacity & Expertise

A challenge identified at various stages of the feasibility study has been a lack of municipal capacity and expertise to execute real estate development projects. As a smaller municipality, the City has a limited staff contingent to ensure it fulfills its

municipal obligations and provides the appropriate level of service within its core service areas. There is no additional staff capacity to undertake additional real estate development projects besides current workloads, and the City has no dedicated real estate or development team.

All projects identified herein will require additional dedicated resources, either by hiring additional positions to relieve current staff of some existing responsibilities to dedicate more time to housing and development or by hiring additional dedicated housing and development staff.

In addition, minimal experience in a hands-on development project management role means the City should retain a development and/or construction management consultant to undertake projects without an experienced developer or constructor partner.

## 5.3 Financial Considerations

Directly, the City could pursue market-rate housing development with a private sector partner that carries the potential to be profitable, either through a sale of land or units or through an operating agreement that would see a housing provider lease land or a building from the City.

Indirectly, the City can pursue development projects that broaden or deepen the municipal tax base, increasing the assessed value of properties and/or facilitating the development of underutilized or vacant properties. In addition, the construction of community facilities through partnerships with other users or investments in community organizations can serve to reduce either the capital costs of new municipal facilities or ongoing operating expenses by taking preventative measures.

## 5.4 Development Opportunities

Another key consideration is ensuring that the City's role and the chosen organizational structure align with the needs of the projects the City is looking to undertake. None of the identified opportunities highlighted in the previous section are overly complicated or financially risky to require the creation of an external corporation to mitigate project or financial risk.

A primary consideration is ensuring that the organizational structure allows for outside expertise to be brought into each project. To create the best chance of delivering successful projects, the City will need a structure that enables the

projects to leverage three sources of external expertise. Firstly, potential partners can be identified through expressions of interest (EOI) or requests for qualification or proposal (RFP/RFQ). Secondly, the structure needs to allow any required consultants to be retained using the housing funds and not require any expenditures from the City’s general funds. Lastly, the structure should provide avenues for ongoing external expertise in an advisory capacity through a board or committee.

## 6.0 Conclusion

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A variety of organizational structures were considered for the City of Merritt. These included an internal department, a commission, a society, and a corporation.

- An internal department is a dedicated team created within the existing municipal structure. Like other municipal departments, this team would fall under the leadership team’s management and be accountable to the leadership team and Council. Typically, this structure is used when delegated authority and a customized governance structure are not prioritized. External expertise would be leveraged through technical consultants brought in for specific project-related tasks.
- A commission is a group of individuals appointed by Council to perform one or more of the following functions: provide or operate a specific municipal service, operate or enforce policies, procedures, or requirements imposed by the Council, or manage property and licenses held by the municipality. This structure is commonly used to provide continual access to outside advisory expertise, to provide a degree of autonomy to engage actively on projects without requiring approval from Council for every project stage and to create a customized governance structure.
- A society is a not-for-profit, non-taxable organization that is sometimes also a separate corporate entity. Societies are formed for a specific purpose falling under the regulation of the Societies Act, which does not include undertaking business activities for profit. Societies are commonly used in British Columbia and Canada to provide and manage non-market housing.

A housing society was not considered in the final evaluation as its scope is limited to providing non-profit housing, making it unsuitable for developing market housing or a potential future transition towards economic development goals.

- A development corporation is a separate legal entity with well-established rights, powers, and abilities under the Business Corporations Act. Typically, corporations are formed to undertake business activities for profit, provide a degree of legal separation between the municipality and the corporation, and create a separate governance structure that can independently make decisions at a pace aligned with the private sector.

A development corporation was not considered in the final evaluation as the administrative and start-up costs are not aligned with the need for concrete plans by the end of 2025 and were not considered to represent the best use of

the available funds given the relatively straightforward nature of the identified development opportunities.

## 6.1 Option A: Internal Housing Department

The first option considered was the creation of a new internal municipal department dedicated to housing and development. An internal housing department would be established within the City of Merritt's existing organizational structure. This department would be led by a director or manager and supported by one to three staff members specializing in project management, housing policy, and stakeholder engagement. The department would oversee the deployment of the housing funds, coordinate municipal housing initiatives, and manage partnerships or other contractual arrangements with developers, non-profits, and other stakeholders.

This department would report directly to the City's leadership team and Council, ensuring alignment with municipal priorities. It would handle all project planning and delivery aspects, including identifying development opportunities, preparing budgets and proposals, negotiating agreements, and overseeing construction and operations. While embedded in the municipal structure, the department would prioritize collaboration with external consultants to address gaps in technical expertise and reduce pressure on existing staff.

The department would require a degree of operational autonomy to streamline decision-making and ensure project progress efficiently, particularly for managing pre-approved budgets and partnerships. This model leverages the City's existing administrative framework while adding specialized capacity for housing projects.

This approach also permits the continuation of an internal department in the short to medium term before further evaluation to determine whether a more dedicated or autonomous entity is warranted to continue the City's role in housing and development in the future.

### Why This Model Works for Merritt

- **Integration with Municipal Systems:** Aligns housing initiatives with existing municipal operations, ensuring consistency with broader city goals.
- **Direct Oversight:** Maintains direct accountability to Council, providing clear reporting and transparency.
- **Cost-Effective Start-Up:** Avoids the legal and administrative costs of creating a separate entity like a commission or corporation.

- Scalable Expertise: Allows the City to hire specialized staff and engage consultants as needed, addressing capacity gaps on a project-by-project basis.

### Challenges:

- Staff Capacity: The City's existing staff constraints may limit the department's effectiveness unless significant resources are dedicated to hiring experienced professionals.
- Budgetary Impact: Establishing a new department requires long-term budgetary commitments for salaries, benefits, and operational costs.
- Streamlined Decision-Making: Lacks inherent autonomy from Council, potentially delaying project approvals and execution unless governance mechanisms are implemented to expedite decision-making.

### Success Factors

- Working with External Experts: Undertaking housing and development projects internally will require bringing in technical experts such as architects, development consultants, contractors and construction project managers. How effectively the City scopes requests for proposals, identifies the right parties to work with, and manages that relationship will impact the success of the internal approach.
- Satisfying Provincial Requirements: To undertake housing and development projects internally, the City will have to ensure it clearly defines an actionable strategy in deploying the residual funds for housing-related purposes and separates them from normal municipal operations.

**This option offers a viable path for Merritt to manage its housing funds while maintaining direct control. However, its success depends on the City's ability to effectively address staffing and governance challenges and satisfy the necessary stakeholders that the funds are being used for dedicated housing purposes and not integrating into general revenue and municipal operations.**

## 6.2 Option B: Housing & Development Commission

The second option considered is the creation of a housing and development commission. This commission would report to the Council and receive direction on the overall strategy but be empowered to solicit advisory services from subject

matter experts, integrate the community's perspective through citizen representation on the commission's board, and operate at arm's length from Council.

The commission would be governed by a board that seeks to meld the perspectives of municipal, community organizations, and private sectors on housing and development and can contribute needed skills in areas such as real estate transactions, planning and development, construction, and project management.

To demonstrate that the City has taken concrete steps to deploy the dedicated housing funding, the commission would have access to a dedicated housing and development reserve fund on terms approved by Council.

The primary functions of the commission would be to identify partners for development opportunities, retain advisory services to assist in effectively scope projects, oversee the partnership and procurement process, and act as the City's project manager.

A commission would be permitted under Section 143 of the Community Charter, which permits a council to establish and appoint a commission to operate services, undertake operation and enforcement of council's authority to regulate, prohibit, and impose requirements, or manage property and licenses held by the municipality. A commission would be created by an act of council with its members appointed by Council who would then be directed to undertake a specific scope of authority on its behalf.

### **Why This Model Works for Merritt**

- Lower start-up costs and reduced regulatory requirements at start-up compared to an external corporation.
- Ability to bring in external expertise with respect to strategic and operational planning.
- Greater flexibility with regards to partnering with outside entities, including the private sector, non-profit groups and the First Nations.
- Relieves Council and staff from day-to-day involvement and decision making.
- Still accountable to Council, Mayor, and CAO, but more from a longer-term strategic perspective.

### **Challenges**



- Project outcomes are reliant on partners and contractors aligning with municipal goals.
- While reducing the administrative burden at start-up, the lack of legal separation between the City and Commission means this model will require expertise in crafting agreements that protect municipal interests.

### Success Factors

- Working with External Experts: This approach goes a step further to leverage external expertise by creating a body, in the form of the commission, to provide external guidance. This expertise would take the form not only of technical expertise provided by consultants in specific project areas, but by members of the committee who can assist in overall strategy, identifying potential consultants, and other development partners.
- Satisfying Provincial Requirements: This approach should provide a clearer path to demonstrating a separation of the City’s approach to deploying the housing funds.

**This option offers a path to deploy housing funds and maintain direct municipal control while creating avenues to bring in external experts to sit on a board that can be given a degree of autonomy to pursue project objectives approved by Council. Its success depends on the City’s ability to attract external experts to community development opportunities and subsequently to empower an advisory board and staff to pursue development objectives without onerous reporting requirements.**

## 6.3 Next Steps

### 1. Council Decision on Staff’s Recommendation

Subsequent to the presentation of this Feasibility Study, Council will direct staff on how to proceed with the creation of a development management approach and strategy for deploying the housing funding.

### 2. Move Forward with Implementation Plan

Subject to Council’s approval, staff will proceed with the completion of an Implementation Plan.

### 3. Public Engagement & Consultation

A core component of the Implementation Plan will be refining the goals of the entity with the public and consolidating a public mandate for a new municipal role in development.

#### **4. Undertake Project Business Cases**

After securing a public mandate and incorporating the public’s feedback into the overall development strategy, business cases should be undertaken for each identified development opportunity.

#### **5. Finalize Implementation Plan**

After identifying the required funds for each project, the implementation plan can be finalized subject to approval from Council.

#### **6. Launch the Commission or Internal Department Model**

With a public mandate and understanding of the required funds and areas of expertise, Council can launch the desired approach and appoint members or staff to begin undertaking project level work.