STAFF REPORT
ACTION REQUIRED

Principles of a Real Estate Strategy and Declaration of Surplus for Sale/Transfer or Turnover to Build Toronto

Date:	April 22, 2009
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer and Chief Corporate Officer
Wards:	2, 5, 6, 10, 11, 14, 16, 17, 20, 22, 23, 28, 35, 38 and 41
Reference Number:	P:\2009\Internal Services\F&re\ Ec09035F&re - AFS 9129

SUMMARY

By its adoption of Item EX24.1, entitled "New Model to Enhance Toronto's Economic Competitiveness", at its meeting of October 29 and 30, 2008 ("the New Model Report"), City Council directed the Chief Corporate Officer ("CCO") to develop a City-wide real estate strategy for all divisions of the City and its agencies, boards and commissions ("ABCDs") and to begin an audit of corporate real estate assets to identify properties with potential for private development. Those properties with development potential may be sold or turned over to Build Toronto. A "Sale" constitutes a conveyance of title to Build Toronto (a "Transfer") or a long-term lease to Build Toronto, for a term of 21 years or more. A "Turnover" does not transfer title, but can give Build Toronto the ability to manage, market and initiate the development process.

In this report, the basic principles of a real estate strategy are recommended for approval as the first phase in the development of a new real estate strategy for the City. On-going policy review, in consultation with the ABCDs, will augment and further refine the City's proposed new real estate strategy, which will be reported on later in 2009.

This report recommends that an initial group of 22 properties be declared surplus for the purpose of Transfer or Turnover to Build Toronto. In addition, City Council has already directed 3 City-owned properties that were to have been transferred to City of Toronto Economic Development Corporation ("TEDCO") and 5 properties in TEDCO ownership be Transferred to Build Toronto. Combined, the completion of these transactions will provide Build Toronto with a potential portfolio of 30 properties on which to focus its

development activities. The terms of the Transfer and Turnover agreements will be subject to negotiation with Build Toronto when it has appropriate staff resources in place and has defined its objectives and development criteria.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer and the Chief Corporate Officer recommend that:

1. City Council endorse the Principles of a Real Estate Strategy set out in Appendix 1 (the "Principles"), subject to such exceptions and variations as may be authorized by the CCO in consultation with the Deputy City Manager and Chief Financial Officer ("DCM/CFO");

2. the following properties be declared surplus, as set out in Appendix 2, subject to the retention of those areas and interests required to satisfy operational requirements and subject to the retention of any interests required by law as well as those City and other interests required to be protected ("Required Interests"), with the intended method of disposal to be by way of a Transfer to Build Toronto on an "as is" basis, for nominal consideration (with Build Toronto to pay any applicable Land Transfer Tax, GST, registration and other costs):

   (a) 4050 Yonge Street (York Mills) (Appendix 2(a));
   (b) 154 Front Street East (Appendix 2(b));
   (c) Part of 705 Warden Avenue (Warden North) (Appendix 2(c));
   (d) 30 Tippett Road (Southeast Wilson Commuter Lot) (Appendix 2(d));
   (e) 75 Billy Bishop Way (Southwest Wilson Commuter Lot) (Appendix 2(e));
   (f) 50 Wilson Heights Boulevard (Northeast Wilson Commuter Lot) (Appendix 2(f));
   (g) 64 and 70 Cordova Avenue (Appendix 2(g));
   (h) 120 and 130 Harbour Street (Appendix 2(h));
   (i) 2126 Kipling Avenue (Appendix 2(i));
   (j) 4620 Finch Avenue East (C.O.Bick College) (Appendix 2(j));
   (k) 150 Symes Road (Appendix 2(k));
   (l) 383 and 425 Old Weston Road (Appendix 2(l));
   (m) 297 Sixth Street (Appendix 2(m));
   (n) Part of 120 Grangeway Avenue (McCowan/Progress) (Appendix 2(n));
   (o) 51 Power Street (Appendix 2(o));

3. the following properties be declared surplus, as set out in Appendix 3, subject to the retention of Required Interests, with the intended method of disposal to be by way of Turnover to Build Toronto on an "as is" basis, for nominal consideration:

   (a) Parts of 2200 Yonge Street (Yonge/Eglinton) (Appendix 3(a));
   (b) Part of 777 Victoria Park Avenue (Victoria Park Station) (Appendix 3(b));
   (c) 40 St. Clair Avenue East (Appendix 3(c));

(d) 1303 Queen Street West (Appendix 3(d));
(e) 5151 Yonge Street, 10 Empress Avenue and the south side of Kingsdale Avenue (Appendix 3(e));

4. 3326 Bloor Street West and part of 1226 Islington Avenue (Bloor/Islington) be declared surplus, as set out in Appendix 4, subject to the retention of Required Interests, with the intended method of disposal to be by way of a Transfer of Parts 1-8 on Sketch PS-2007-048 and Turnover of Part 1 on Sketch PS-2007-034 to Build Toronto, on an "as is" basis, for nominal consideration (with Build Toronto to pay any applicable land transfer tax, GST, registration and other costs);

5. all operating costs for and revenues generated from properties transferred to Build Toronto will be assumed by Build Toronto and any ABCD budgets impacted by such arrangements will have appropriate adjustments made as part of the annual budget process;

6. the proposed disposition of each property described in Recommendations 2, 3 and 4 (individually, a "Property" and collectively, the "Properties") be exempt from:
   (a) the Property Management Committee ("PMC") process; and
   (b) the policy governing Proceeds from Sale of Surplus City Owned Real Property ("Proceeds Policy");

7. in lieu of applying the Housing First Policy, the Deputy City Manager responsible for the Affordable Housing Office negotiate with Build Toronto the number of affordable housing units and other opportunities for the delivery of affordable housing that Build Toronto may be required to provide on Properties with residential potential;

8. all steps necessary to comply with the City's real estate disposal process, as set out in Chapter 213 of the City of Toronto Municipal Code, be taken;

9. the PMC process, the Proceeds Policy, the Housing First Policy and other affected City real estate policies and processes be amended to accord with the Principles, as same may be amended by Council from time to time;

10. City Council approve, as the approving authority under the provisions of the *Expropriations Act*, the disposal to Build Toronto of any property that was acquired by expropriation without giving the original owner from whom the property was expropriated the first chance to repurchase the property;

11. at such time as a property that is to be made available to Build Toronto is no longer being utilized by the Toronto Parking Authority for parking purposes, any prior designation of such property for parking by the Toronto Parking Authority, be rescinded;

12. Toronto Transit Commission ("TTC") be requested to concur that those properties registered in the name of TTC (having been identified by TTC as no longer required for its operations, and having been determined by the CCO to be appropriate for Sale or Turnover to Build Toronto) be made available to Build Toronto, in the same manner as properties registered in the name of the City;

13. Toronto Public Library Board ("TPLB") be requested to concur that those properties registered in the name of TPLB (having been identified by TPLB as no longer required for its operations, and having been determined by the CCO to be appropriate for Sale or Turnover to Build Toronto) be made available to Build Toronto, in the same manner as properties registered in the name of the City;

14. the CCO be authorized to amend the method of disposal of any property that has been declared surplus for the purpose of Sale or Turnover to Build Toronto, and to rescind the declaration of surplus in respect of those properties determined not to be appropriate for Build Toronto;

15. TEDCO be relieved of its obligation to pay to the City the Agreed Property Value of $13,000,000 provided for in the agreement between TEDCO and the City dated December, 2007 in respect of the transfer to TEDCO of the Midland/St. Clair property, TEDCO be requested to assign to Build Toronto all of its entitlements to and in respect of the Midland/St. Clair property and the relevant transaction documents be amended accordingly;

16. the CCO be authorized to:

    (a) provide Build Toronto with any existing documentation with respect to properties being considered for Sale or Turnover to Build Toronto;
    (b) give Build Toronto, its consultants and agents access to such properties for pre-development/development work, including site inspection, testing, preparation and/or remediation, and to approve and execute any entry or similar agreement on behalf of the City; and
    (c) give permission to Build Toronto to begin publicly marketing re-development of such properties;

17. authority be granted for the City, in its capacity as land owner only (and not in its capacity as a planning/regulatory authority) to consent to the submission by Build Toronto of applications and documents required in connection with any regulatory approvals in respect of properties that have been declared surplus for the purpose of Sale or Turnover to Build Toronto and each of the CCO and the Director of Real Estate Services be authorized severally to execute any documents required in this regard;

18. authority be granted for the City, in its capacity as land owner only (and not in its capacity as a regulatory authority) to consent to the submission by Build Toronto of any documents within the Ministry of Environment's process under the Environmental Protection Act, including Pre-Submission Forms and Records of

Site Conditions, in respect of properties that have been declared surplus for the purpose of Sale or Turnover to Build Toronto, and each of the CCO and the Director of Real Estate Services be authorized severally to execute any documents required in this regard;

19. City of Toronto Municipal Code, Chapter 213, Sale of Real Property, be amended as set out in the draft Bill in Appendix 5;

20. the appropriate City officials be authorized and directed to introduce in Council any Bills necessary to give effect to the foregoing.

Financial Impact

The proposed real estate strategy will impact in the following general areas:

1. The timing of the receipt of any proceeds from the development and disposition of surplus properties made available to Build Toronto that would have been realized if the properties were sold on the open market will be delayed in order to optimize benefits to the City as a whole and achieve potentially greater returns. The timing and distribution of these returns will be determined through the shareholder direction for Build Toronto requiring that Build Toronto develop a policy for the declaration of dividends to distribute the revenues resulting from its development activities. The policy is expected within 3 to 5 years after Build Toronto establishes a track record.

2. As an incentive to Build Toronto to continue management of the existing revenue generating operations, all costs and revenues associated with the surplus properties (and made available to Build Toronto) will also be transferred to Build Toronto. Any net budget effects to the ABCDs resulting from these transactions will require adjustments in conjunction with the City's annual operating budget process.

3. Although there will be no change to the existing facility capital project budgeting policy that requires ABCDs to budget for acquisition and development of privately owned properties and facilities, this policy will now be expanded to include City-owned properties. In the past, City-owned properties were transferred at no cost to all ABCDs for municipal use. Accordingly, on a going forward basis, all ABCDs will be required to budget the costs of additional corporate real estate assets at fair market value in their 10 year Capital Program. The exception will be development projects that have already been approved under different funding assumptions, such as redevelopment of the Bloor/Islington and Warden lands, in which case it is anticipated that Build Toronto will honour all previously approved specific funding arrangements. Some of the financial aspects of the proposed real estate strategy for the facility capital project budget process are the subject matter of a report from the City Manager entitled "Framework for Evaluating and Prioritizing New and Expansion Facility Capital Projects".

4. Through the PMC, as a part of business case, any ABCD releasing corporate real estate would be able to utilize the “value in use” of the asset to offset project costs in their 10 year Capital Program. This “value in use” will be determined on an individual asset basis in cooperation with Facilities and Real Estate and it will represent the replacement value of the building, adjusted for the remaining functional life of the building and would be less than market value, which assumes the highest and best use of the property. Previously, ABCDs could have applied the full market value to offset total project costs. Individual ABCDs would need to accommodate any resulting shortfall within their capital budget targets.

Recommendations of this report will also result in a declaration of surplus of the Properties, having the following immediate impact:

- An estimated overall net revenue loss of approximately $1 million to individual ABCDs. The net revenue loss will be adjusted with an effort to make all affected ABCDs whole during the 2010 budget process, using the year 2009 as a base.

- TEDCO as the owner of a portion of a property at Midland/St.Clair is obligated to make payments totalling $13,000,000 to the City from the net proceeds of development and disposition of this property and of adjoining property previously transferred to TEDCO by the City and sold by TEDCO. As directed by Council, the portion of the property still owned by TEDCO is to be transferred to Build Toronto for nominal consideration, and if the recommendations in this report are adopted TEDCO will be relieved of its obligation to pay this amount to the City. Build Toronto will assume the rights and obligations of TEDCO in respect of this development project, but will not be required to make the payment of $13,000,000 to the City that TEDCO was to have made. Build Toronto’s dividend policy will determine when funds will be distributed to the City.

DECISION HISTORY

On October 29 and 30, 2008, City Council adopted the New Model Report, and established two new corporations: Build Toronto and Invest Toronto. City Council directed the CCO to develop a City-wide real estate strategy for all ABCD programs and to begin an audit of corporate real estate assets to identify properties with potential for private development that may be made available to Build Toronto.

This report sets out the basic principles of a real estate strategy for the City and presents an initial group of properties to be declared surplus for the purpose of Sale or Turnover to Build Toronto, subject to the retention of Required Interests, such as any required municipal easements, and subject to the identified continued operational requirements of the ABCDs.

ISSUE BACKGROUND

The Prosperity Agenda and the Blueprint for Fiscal Stability and Economic Prosperity both indicated a need for substantive change in how the City attracts new investment and uses its real estate holdings to generate revenue. On the recommendation of a management consulting team, the City created Invest Toronto, to promote and market Toronto, and Build Toronto, to develop and dispose of the under-utilized real estate holdings of the City and its ABCs, and has amended the mandates of Economic Development and Culture and Tourism Division and the Facilities & Real Estate Division accordingly.

The Build Toronto initiative is founded on the recognition that the real estate holdings of the City and its ABCs are significant corporate assets that require strategic assessment and management to optimize their benefit to the whole corporation.

The City's current real estate policy framework was developed soon after amalgamation for the purpose of co-ordinating and standardizing the practices that had been in place in the former municipalities. The current real estate policy framework includes:

- the PMC, which reviews property released by ABCDs and recommends its appropriate disposition;
- the Housing First Policy, which directs that available property with potential for residential use be made available for affordable housing development, wherever appropriate; and
- the Proceeds Policy, which governs the transfer of land and jurisdiction over land among ABCDs and the allocation of revenues resulting from the disposition of surplus property.

If Council endorses the Principles as set out in Appendix 1, as recommended in this report, then it is appropriate that these policies be amended from time to time to accord with the Principles.

COMMENTS

Developing a City Real Estate Strategy

ABCDs currently manage and utilize property to support their individual programs, and have not always been able to take full advantage of opportunities to share facilities, co-locate with other programs or make the most efficient use of real estate holdings. In order to make substantive change in how the City manages its real estate holdings, it must be recognized that the City's real estate is an important "corporate" asset that must be strategically managed at the corporate level rather than at the program and ABCD level.

City Council has directed the CCO to begin the process of developing a City-wide real estate strategy that incorporates long term plans for all City and ABC land holdings. The CCO has been authorized to review existing real estate policies with a view to removing barriers to optimizing land use, and to conduct any real estate audits necessary and all stakeholders have been directed to participate in this process. ABCDs have been contacted and advised of this review, but a comprehensive real estate audit will take some time to complete. The review and recommendation of appropriate changes in the existing City real estate policies will be reported on later in the year, after further consultation with the ABCDs. The Principles have been drafted in general terms, to provide flexibility in dealing with the City's varied real estate portfolio. It will be necessary for the application of the Principles to be tailored to the circumstances of individual properties, and it is appropriate for the CCO, in consultation with the DCM/CFO, to be able to authorize appropriate exceptions and variations.

In order to proceed expeditiously with the Sale and Turnover of the Properties to Build Toronto in advance of the completion of the full policy review that is required to develop the details of a comprehensive real estate strategy, certain basic principles have been formulated. The basic Principles, set out in Appendix 1, provide for the integration of Build Toronto's role into the City's real estate management framework. It is recommended that the Principles be endorsed as the framework of the City's real estate strategy, which may be augmented as the review of existing policies progresses.

The primary purpose of City real estate assets will continue to be to support municipal functions and purposes of ABCDs.   ABCDs which manage corporate real estate assets are expected to utilize the assets for ongoing municipal purposes or plan to utilize the assets for municipal purposes within a 10 year time frame, as set out in an approved capital budget or the property will be considered by the PMC for designation as surplus. Build Toronto will now participate in the PMC as one of its members and in the Interdivisional Facilities Project Review Team in an advisory capacity. Corporate efficiencies may dictate the sharing of real estate assets and direct more intensive use of such assets.

ABCDs will be required to include the cost of land at fair market value in their capital budget when the acquisition of a new property is proposed. When properties are released through the PMC process, properties with private development potential will be identified, and such properties may be declared surplus, subject to the retention of Required Interests, for the purpose of being made available to Build Toronto.

Declaration of Surplus

Build Toronto's mission is to unlock the value in under-utilized lands and intensify, where feasible, City and ABC properties to attract targeted industries, stimulate the creation of desirable employment, regenerate neighbourhoods and generate property tax revenue. Build Toronto will assume responsibility for the development or disposition of under-utilized properties, and take advantage of the valuable work already completed by DOTS (Development of Transit Sites working group), in co-operation with the TTC, in identifying transit properties with development potential.

Through the work of DOTS, and the work of Facilities & Real Estate staff in consulting with ABCDs, a preliminary review of the City's portfolio has resulted in the list of 22 Properties, the whole or portions of which may be available for potential development by Build Toronto. Details of the Properties are summarized and the approximate location and configuration of each Property is shown in Appendices 2, 3 and 4. In order to give

Build Toronto as much flexibility as possible in formulating development concepts, the areas to be declared surplus have been described in general terms. When the details of all Required Interests and of the description of the Property that can be used by Build Toronto for development have been finalized, the declaration of surplus in respect of any portions of a Property affected by a Required Interest or not required by Build Toronto can be rescinded.

Sale/Transfer or Turnover

Land can be made available for management and development by Build Toronto under Sale agreements, Transfer agreements and Turnover agreements. Turnover agreements will give Build Toronto an opportunity to work with programs to determine the appropriate development and intensification of a property, and may eventually lead to a Sale to Build Toronto or other parties of specific site interests, such as air rights or a stratified portion of a property, but cannot provide for the Sale of land to Build Toronto.

A Sale (which may be a Transfer or a lease for a term of 21 years or more) will generally include the following steps:

- potentially surplus land is identified through the PMC process
- program operational requirements are established
- operationally surplus land with development potential is identified
- Build Toronto indicates an interest in the land and it is declared surplus
- terms of Sale or Transfer agreement are developed
- Sale or Transfer approved by City Council
- Build Toronto develops and markets the land as permitted by the Sale or Transfer agreement

A Turnover will generally include the following steps:

- potentially surplus land is identified through the PMC process
- program operational requirements are established
- extent to which land with development potential is operationally surplus is confirmed
- Build Toronto indicates an interest in the land and it is declared surplus
- terms of Turnover agreement are developed
- Turnover agreement approved by City Manager
- Build Toronto manages, markets and initiates development of the land as permitted by the Turnover agreement, including pre-development activities
- at a later date, the terms of a Sale or Transfer agreement will be developed and approved by City Council

Where land has been Transferred to Build Toronto, it may be sold by Build Toronto without further City Council authority. However, Build Toronto must seek further Council authority to sell land which has either been Turned Over to it or which has not been Transferred to its title.

If it is determined that land that has been declared surplus to go to Build Toronto is not suitable for Build Toronto purposes, the CCO will have the authority to rescind the declaration as surplus. The CCO will also have authority to amend the method of disposal.

Amendment of Disposal By-law

It is appropriate to amend Chapter 213 of the Municipal Code, "Sale of Real Property", as set out in Recommendation 19 and Appendix 5 in order to reflect the fact that properties can be made available to Build Toronto by means of a Transfer agreement or a Sale agreement, which can provide for a transfer of title to Build Toronto, or a lease for a term of 21 years or more in favour of Build Toronto as tenant.

Ontario Regulation 609/06

Ontario Regulation 609/06 provides that if the City proposes to transfer an asset to a corporation and the province has contributed funds for the purchase or improvement of the asset, the City is required to give notice of the proposed transfer to every minister that made a contribution and obtain a release of any provincial interest in the asset. It has been determined that the province has not contributed funds for the purchase or improvement of any of the Properties.

Expropriated Lands

Lands to be made available to Build Toronto may originally have been acquired by expropriation. The *Expropriations Act* provides that when a municipality intends to sell lands which were acquired by expropriation, the former owner is to be given the chance to purchase the lands on the terms of the best offer received unless the approving authority authorizes the disposal of such lands without giving the former owner a first chance to purchase. In order to give full effect to the proposal to allow Build Toronto maximum flexibility in developing City lands, it is recommended that Council, as approving authority, authorize the disposal of land to Build Toronto that was acquired by expropriation without giving the owner from whom the land was expropriated an opportunity to repurchase.

Affordable Housing

The existing Housing First Policy provides that the Affordable Housing Office be given a first opportunity, in the PMC process, to make a business case for the development of affordable housing on a suitable property and to request that jurisdiction over such property be given to the Affordable Housing Office. This report and the Principles propose that rather than being given jurisdiction over a property the Affordable Housing Office negotiate with Build Toronto the number of affordable housing units and other opportunities for the delivery of affordable housing that Build Toronto may be required to provide on properties with residential potential and an appropriate covenant by Build Toronto will then be included in the relevant agreement.

Toronto Parking Authority

The Toronto Parking Authority by-law must be amended appropriately to rescind the previous designation of a property for parking purposes (if such property is to be made available to Build Toronto) at such time as that property is no longer being utilized by the Toronto Parking Authority for parking purposes.

Properties owned by TTC

Some properties are registered in the name of the TTC. Accordingly, a request must be made to the TTC to concur that those properties that have been identified by the TTC as no longer required for its operational purposes be made available to Build Toronto in the same manner as properties registered in the name of the City. A presentation on this matter was made by the CCO on April 3, 2009.

Properties owned by Toronto Public Library Board

Similarly, some properties are registered in the name of the TPLB, and the TPLB must determine that those properties are surplus to TPLB's operational requirements before they may be made available to Build Toronto.

Properties Approved for Transfer to Build Toronto

Through the adoption of the New Model Report, City Council has already directed that 3 City-owned properties be Transferred to Build Toronto (subject to a satisfactory review by the Deputy City Manager & Chief Financial Officer of financial and real estate issues):

Ward	Property/Address	Approx. Area (acres)	Issues/ Comments
10	Part of 1035 Sheppard Ave W (Downsview)	54.0	Currently vacant. Restrictive covenants for use and height currently limit development potential. Included in the Downsview Secondary Plan Review study. Affordable Housing interest.
36	411 Victoria Park Ave	12.3	Portions currently used as a golf driving range. Former landfill use presents environmental issues. Affordable Housing and Parks interests.
11	Part of 301 Rockcliffe Blvd	15.5	Currently vacant except for a portion used for TTC storage purposes. Environmental and flood plain issues.

TEDCO Properties for Transfer to Build Toronto

In addition, 5 properties in TEDCO's ownership and outside of the Waterfront will be Transferred to Build Toronto:

Ward	Property/Address	Approx. Area (acres)	Issues/ Comments
35	3575 Danforth Ave	1.2	Currently has an automobile dealership tenancy. Environmental issues.
14	60 Atlantic Ave	0.9	Currently leased to Artscape Inc.
6	260 Eighth St and 124-126 Birmingham St	24.0	Currently vacant. Environmental issues from former industrial occupancy. Former hydro building may have heritage aspects.
36	n/e/c Midland Ave and St Clair Ave E	1.2	Currently vacant.
36	Northwest of Brimley Rd and Comrie Ter	2.4	Currently vacant.

Midland/St. Clair Transaction with TEDCO

By the adoption of Clause 21 of Administration Committee Report 5 at its meeting on July 25, 26 and 27, 2006, City Council authorized the transfer to TEDCO of a City property between Midland Avenue and Brimley Road, north of St. Clair Avenue East (the "Midland/St. Clair Property"). TEDCO agreed to pay to the City an "Agreed Property Value" of $13,000,000, in annual instalments, from the net proceeds realized in the development and disposition of the property. If, at the end of five (5) years, net proceeds of development and disposition were not sufficient to permit TEDCO to pay the entire $13,000,000 to the City, TEDCO was to report to City Council for further direction.

On the direction of TEDCO, the majority of the Midland/St. Clair Property was transferred to Monarch Corporation on February 6, 2008 as part of a TEDCO/Monarch Corporation joint development project. TEDCO retained ownership of the portions of the Midland/St. Clair Property described in the chart above.

By the adoption of the New Model Report, City Council authorized the Transfer of the portion of the Midland/St. Clair Property retained by TEDCO to Build Toronto, for nominal consideration. It is necessary, therefore, to relieve TEDCO of the obligation to pay the Agreed Property Value to the City and to authorize the amendment of the agreements relating to the TEDCO/Monarch Corporation arrangement to provide that the payment by Monarch Corporation of the balance of the purchase price for the portion of the Midland/St. Clair Property already sold to Monarch Corporation be assigned to Build Toronto. These funds will assist Build Toronto in repaying any start up funds previously advanced to Build Toronto by City Council, and provide it with development working capital. Build Toronto's dividend policy will determine when funds will be distributed to the City.

Conclusion

If the recommendations in this report are adopted, Build Toronto will have access to a major portfolio of properties with development potential. Build Toronto will have to assess the Properties and determine their fit with Build Toronto's objectives and resources. Build Toronto may decide that it is not financially feasible for it to allocate its resources to some of the Properties at this time or Build Toronto may prioritize them, so that the Properties may be made available to Build Toronto over a period of time. Build Toronto will have to negotiate with ABCDs and the Affordable Housing Office how their program interests (operations, costs, revenues, etc.) may be accommodated on some Properties, so that the relevant agreements address ABCD requirements appropriately.

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SIGNATURES

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Cam Weldon,
Deputy City Manager and
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Bruce Bowes, P.Eng.
Chief Corporate Officer

ATTACHMENTS

Appendix 1 – Principles of a City Real Estate Strategy
Appendix 1A - Examples of the Application of Selected Real Estate Principles
Appendices 2, 3 and 4 – Properties to be Declared Surplus
Appendix 5 – Draft By-law to amend Municipal Code Chapter 213

Appendix 1

Principles of a City Real Estate Strategy

1. *City real estate is a "corporate" asset that:*
   - *is aligned with Council's Strategic Plan*
   - *supports municipal functions and purposes of the ABCDs*
   - *is subject to corporate review of the ABCD's continuing requirement for the asset.*

2. *ABCDs which manage corporate real estate assets must:*
   - *utilize the assets for on-going municipal purposes; or*
   - *plan to utilize the assets for municipal purposes (as set out in their approved 10 year Capital Program); or*
   - *comply with long-term City-approved programs;*

   failing which the asset will be released through the Property Management Committee (PMC) process, without credit or compensation to the ABCD, to be considered for other municipal purposes or be made available to Build Toronto.

3. *ABCDs can release corporate real estate assets through the PMC as part of a business case, utilizing the "value in use" of the asset, to offset project costs in their 10 year Capital Program.*

4. *ABCDs will be required to budget the cost of additional corporate real estate assets, at fair market value, in their 10 year Capital Program.*

5. *In lieu of the Housing First Policy,* the *Deputy City Manager responsible for the Affordable Housing Office will negotiate with Build Toronto the number of affordable housing units and other opportunities for the delivery of affordable housing that Build Toronto may be required to provide on properties with residential potential.*

6. *When corporate real estate assets become available, as a first priority, they will be made available to ABCDs for program requirements:*
   - *subject to business case review through PMC*
   - *subject to funding by ABCDs.*

7. *Properties will be made available to Build Toronto on terms that allow it to unlock the value in corporate real estate assets and achieve the following objectives:*
   - *attract targeted industries*
   - *stimulate desirable employment*
   - *regenerate neighbourhoods*
   - *advance development opportunities*
   - *generate financial return to the City.*

8. *Properties that are transferred to Build Toronto will include: responsibility to manage the properties, revenue being generated and associated costs arising from the properties. If ABCD budgets are affected by such arrangements, appropriate adjustments will be made as part of the annual operating budget process.*

9. *The terms of Sale agreements (which may provide for a transfer of title to Build Toronto or a lease to Build Toronto for a term of 21 years or more) will be subject to the approval of Council, on the recommendation of the Chief Corporate Officer and Deputy City Manager and Chief Financial Officer The terms of Turnover agreements will be subject to the approval of the City Manager, in accordance with the base terms for Turnover agreements previously approved by Council.*

10. *Facilities and Real Estate (F&RE) will continue to acquire, appraise, manage, lease and dispose of properties for City purposes to achieve the optimization of corporate real estate assets and will facilitate making available to Build Toronto properties with potential for development.*

11. *Build Toronto will provide senior representation on the PMC and be included in the property circulation process.*

12. *Build Toronto will participate in an advisory capacity on the Interdivisional Facilities Project Review Team to evaluate all City facility capital and associated real estate property-related projects in order to ensure that Build Toronto's goals and strategies are considered when developing the City's 10-year capital plan and forecast.*

13. *F&RE will advise Build Toronto of properties that the City will advertise for the tax sale process so that Build Toronto may consider whether the properties present development opportunities.*

Appendix 1.A

EXAMPLES OF THE APPLICATION OF SELECTED REAL ESTATE PRINCIPLES

3. *ABCDs can release corporate real estate assets through the PMC as part of a business case, utilizing the "value in use" of the asset, to offset project costs in their 10 year Capital Program.*

EXAMPLE: C.O. Bick College

- TPS proposes to offset the cost of a new evidence building within 10 yr budget program by releasing one or more properties
- a "value in use" amount, based on the age and condition of the buildings, is assigned to the properties to be released by TPS

5. *In lieu of the Housing First Policy,* t*he Deputy City Manager responsible for the Affordable Housing Office will negotiate with Build Toronto the number of affordable housing units and other opportunities for the delivery of affordable housing that Build Toronto may be required to provide on properties with residential potential.*

EXAMPLES: DOWNSVIEW AND WARDEN

- Downsview is subject to Council-approved requirement for affordable housing that will be carried forward in the Transfer Agreement with Build Toronto
- Warden is subject to a proposal for 150 affordable units, and Build Toronto will determine how and where to provide them

6. *When corporate real estate assets become available, as a first priority, they will be made available to ABCDs for program requirements:*
    - *subject to business case review through PMC*
    - *subject to funding by ABCDs.*

EXAMPLE: 51 POWER ST

- the business case to use the property for an off-leash dog park was not viable, considering the market value of $5.9 M of the property, but this use may be permitted on a temporary basis pending development by Build Toronto

12. *Build Toronto will participate in an advisory capacity on the Interdivisional Facilities Project Review Team to evaluate all City facility capital and associated real estate property-related projects in order to ensure that Build Toronto's goals and strategies are considered when developing the City's 10-year capital plan and forecast.*

EXAMPLE: 3301 MARKHAM ROAD

- through Build Toronto participation in the Interdivisional Facilities Project Review Team, it is determined that the new IT facility should be located on the property and constructed so as to provide for additional development potential on the property for Build Toronto, by integrating private development with the IT building directly, or through strategic citing of the IT building to maximize development potential