



**AUDITOR GENERAL'S  
REPORT  
ACTION REQUIRED**

**Toronto Parking Authority – Phase 1: Audit of Real Estate Activities**

<b>Date:</b>	October 15, 2015
<b>To:</b>	Board of Directors of Toronto Parking Authority and Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

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This report presents the results of the audit of Toronto Parking Authority's real estate activities. The objective of the audit was to assess the control framework governing the real estate activities of the Toronto Parking Authority.

Through its real estate activities, TPA has leveraged its assets to increase the supply of short-stay parking while also providing a financial return to the City. It is expected that TPA will add 876 new parking spaces and replace 1,141 (net) existing parking spaces through joint venture and property acquisition transactions that have closed within the past 10 years (2006 to 2015). TPA has realized gains from the joint venture sales of property of \$134.7 million, resulting in dividends of \$32.3 million to 2014 with a further \$41.8 million expected for 2015.

While it is clear that the City is receiving value, there are three areas that can be strengthened to ensure both TPA and the City as a whole are achieving maximum value.

1. Enhance analysis of value creation
2. Increase transparency and accountability
3. Improve coordination City-wide

This report contains 13 recommendations along with management's response to each recommendation.

## RECOMMENDATIONS

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### The Auditor General recommends that:

1. The Board of Directors request the Chief Executive Officer to ensure adequate support is retained for projections of local area parking requirements.
2. The Board of Directors request the Chief Executive Officer to document key assumptions underlying financial analyses. Where assumptions are substantiated by actual results from completed joint ventures and/or comparative data from other parking garages and surface lots, such data be documented and retained.
3. The Board of Directors request the Chief Executive Officer to review the financial models used to assess the financial impacts of transactions and report back to the Board on the framework used to analyze real estate transactions.
4. The Board of Directors request the Chief Executive Officer to expand upon the financial information provided to the Board when recommending the approval of the proposed transaction, as well as any amendments to the transaction agreement. Information provided should include:
  - a. The expected rate of return and a summary of the financial analysis performed including a description of the basis for any key assumptions.
  - b. A summary of the financial impact of competing offers before and after discounting offers for risk.
  - c. The financial and qualitative impacts of adopting key terms in the transaction agreement.
5. The Board of Directors request the Chief Executive Officer, in consultation with the City's Deputy City Manager and Chief Financial Officer, to periodically review the expected minimum return on transactions, to ensure it is reflective of the current economic environment.
6. The Board of Directors request the Chief Executive Officer to consider obtaining market value appraisals from independent appraisers who are selected from a competitively established roster of pre-qualified service providers and consideration be given to using the City's roster where possible.
7. The Board of Directors request the Chief Executive Officer to retain the quantitative and qualitative evaluation of offers and document the basis for management's decision to short list proponents.
8. The Board of Directors request the Chief Executive Officer, in consultation with the City Clerk, to recommend and implement a record retention policy to ensure compliance with the City of Toronto Act, 2006.

9. The Board of Directors request the Chief Executive Officer to ensure that, for all property transactions, reports recommending the short listing or selection of developers include a description of how the evaluation results of each submission received impacted the overall short listing of proponents.
10. The Board of Directors request the Chief Executive Officer to report periodically to the Real Estate, Development and Business Opportunities Advisory Committee with updates on the status of in-process real estate transactions. Such updates to include reporting on the selection of, or the initiation of direct negotiations with, a potential purchaser and/or development partner.
11. The Board of Directors request the Chief Executive Officer to ensure that, prior to marketing projects, the circulation process be initiated to ascertain if there is any municipal interest that could potentially be accommodated in the project.
12. City Council request the City's Chief Corporate Officer, and the Board of Directors request the Chief Executive Officer, to resolve issues to ensure the Chief Corporate Officer's delegated authority for real estate matters can be used effectively by the Toronto Parking Authority.
13. The Board of Directors request the Chief Executive Officer to formalize its policy for real property acquisitions.

## **Financial Impact**

The implementation of these recommendations will strengthen oversight of real estate activities undertaken by Toronto Parking Authority in fulfilling its mandate and improve existing policies and controls over such activities. The extent of any resources required or potential revenues resulting from implementing the recommendations is dependent on how the recommendations are implemented and is not determinable at this time.

## **DECISION HISTORY**

The Auditor General's 2014 Audit Work Plan included an audit of the Toronto Parking Authority. In the 2015 Audit Work Plan, the audit of the Toronto Parking Authority was separated into two phases:

- Phase 1: Audit of Real Estate Activities
- Phase 2: Audit of Off-Street Parking Operations

This report presents the results of the first phase of the audit of the Toronto Parking Authority. The results of the second phase of the audit will be presented in a separate report to the Board of Directors in late 2015.

## COMMENTS

The objective of the audit was to assess the control framework governing the real estate activities of the Toronto Parking Authority.

This report contains 13 recommendations to strengthen the control framework governing TPA's real estate activities. The implementation of the recommendations contained in this report will:

- Enhance the analysis needed to demonstrate that TPA is maximizing the value generated from its transactions.
- Increase transparency and accountability of management's decision making process and support the Board's ability to fulfil its role in overseeing and monitoring management.
- Improve cross-corporate collaboration to obtain the best value from the City's real estate assets.

The audit report entitled "Toronto Parking Authority, Phase 1: Audit of Real Estate Activities" is attached as Appendix 1. Management's response to each of the recommendations contained in the report is attached as Appendix 2.

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## SIGNATURE

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Beverly Romeo-Beehler, Auditor General

14-TPA-01

## ATTACHMENTS

Appendix 1: Toronto Parking Authority – Phase 1: Audit of Real Estate Activities

Appendix 2: Management's Response to the Auditor General's Review of Toronto Parking Authority – Phase 1: Audit of Real Estate Activities

# AUDITOR GENERAL'S REPORT

## Toronto Parking Authority Phase 1: Audit of Real Estate Activities

*A balancing of profit maximization and  
expansion of the supply of parking spaces to  
further its mandate*

October 15, 2015

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Beverly Romeo-Beehler, CPA, CMA, B.B.A., JD  
Auditor General



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## EXECUTIVE SUMMARY

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### ***Background***

The Toronto Parking Authority is a self-sustaining corporation owned by the City of Toronto. Under the *City of Toronto Act, 2006*, the Toronto Parking Authority (TPA) is a City board and the City has full authority over its structure and mandate.

### ***TPA Mandate***

Municipal Code, Chapter 179, Parking Authority gives TPA authority over the construction, maintenance, operation and management of parking facilities within the City of Toronto. This includes both off-street and on-street parking metered and parking lot facilities.

### ***2014 Audit Work Plan***

The Auditor General's 2014 Audit Work Plan included an audit of the Toronto Parking Authority. In the 2015 Audit Work Plan, the audit of the Toronto Parking Authority was separated into two phases:

- Phase 1: Audit of Real Estate Activities
- Phase 2: Audit of Off-Street Parking Operations

This report presents the results of the first phase of the audit of the Toronto Parking Authority. The results of the second phase of the audit will be presented in a separate report to the Board of Directors in late 2015.

### ***Audit objective***

The objective of the audit was to assess the control framework governing the real estate activities of the Toronto Parking Authority. In particular, we assessed:

- Processes and procedures to ensure transactions achieve value for money and further TPA's mandate
- Adequacy of, and compliance with, policies, procedures, and administrative standards for real estate transactions
- Transparency of reporting to the Board on the transactions.

***Value generated through real estate activities***

Through its real estate activities, TPA has leveraged its assets to increase the supply of short-stay parking while also providing a financial return to the City. It is expected that TPA will add 876 new parking spaces and replace 1,141 (net) existing parking spaces through joint venture and property acquisition transactions that have closed within the past 10 years (2006 to 2015). TPA has realized gains from the joint venture sales of property of \$134.7 million, resulting in dividends of \$32.3 million to 2014 with a further \$41.8 million expected for 2015.

***Summary of audit results***

While it is clear that the City is receiving value, there are three areas that can be strengthened to ensure both TPA and the City as a whole are achieving maximum value. Additionally, strengthening these areas will help to ensure TPA has an effective control framework governing its real estate activities. Our key findings are briefly discussed below:

***(1) Enhance analysis of value creation***

***Sufficient analysis was not retained to demonstrate that best value was achieved from transactions***

TPA was able to demonstrate that minimum selling price or maximum purchase price benchmarks were met and contracted transaction values were within appraised market value ranges. However, on the transactions we reviewed, TPA did not retain sufficient documentation to evidence that:

- the optimal amount of parking was obtained to meet local area parking requirements
- the financial returns were maximized.

Enhancing existing analyses may help identify opportunities to increase value for TPA and therefore, the City.

***(2) Increase transparency and accountability***

***TPA did not always sufficiently document or report on the justification or rationale for decisions***

The outcomes of transactions relied heavily on management's professional judgement when evaluating the risks and returns on competing proposals and selecting developers. However, TPA did not always sufficiently document the justification or rationale for decisions.



Reporting to the Board can be augmented to enhance transparency surrounding management's recommendations. While the Board should not be involved in day-to-day management, to be active in fulfilling its role of monitoring management, the Board should be provided, in a timely manner, information that is sufficiently comprehensive to inform its decision making.

### ***(3) Improve coordination City-wide***

***TPA, Build Toronto, and the City's Real Estate Services division have not worked together in an efficient and effective manner***

TPA, the City's Real Estate Services division, and Build Toronto, as separate organizations with separate real estate portfolios, have different mandates, priorities, and measures of "value".

Historically, these organizations have not worked together in an efficient and effective manner. To promote a coordinated strategy to obtain the best value from the City's real estate assets, improved collaboration by all parties is needed.

### **Conclusion**

This report contains 13 recommendations to strengthen the control framework governing TPA's real estate activities. The implementation of these recommendations will expand the benefits to the City by increasing the value added through TPA's real estate activities.

Many of the recommendations in this report are consistent with suggested improvements that were adopted by Build Toronto's Board of Directors, in January 2015, in response to the Auditor General's Operational Review of Build Toronto Inc.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU1.7>

The City Manager has engaged a third party consultant to review the real estate activities of various agencies, corporations and divisions. The consultant's report is expected to be completed in early 2016. The recommendations contained in this report should be considered in conjunction with recommendations arising out of that review.

### *Auditor General's recommendation follow-up process*

#### ***Implementation of audit recommendations will be reviewed in 2017***

The Auditor General conducts an annual follow-up process to determine the implementation status of previously issued audit recommendations. Recommendations contained in this report will be included in the 2017 follow-up process and the results will be reported to the TPA Board and the City's Audit Committee.

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## **BACKGROUND**

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#### ***TPA is a self-sustaining public corporation owned by the City of Toronto***

The Toronto Parking Authority is a self-sustaining corporation owned by the City of Toronto. Under the *City of Toronto Act, 2006*, the Toronto Parking Authority (TPA) is a City board and the City has full authority over its structure and mandate.

#### ***TPA is governed by Toronto Municipal Code Chapter 179***

TPA has been given authority over the construction, maintenance, operation and management of parking facilities within the City of Toronto, including on-street parking meter and parking machine facilities under the Municipal Code. The Municipal Code does not otherwise set out any specific City objectives for the TPA.

The TPA is governed by a seven-member board of directors appointed by City Council in accordance with the Toronto Municipal Code, Chapter 179, Parking Authority.

[http://www.toronto.ca/legdocs/municode/1184\\_179.pdf](http://www.toronto.ca/legdocs/municode/1184_179.pdf)

#### ***2014-2019 Strategic Objectives***

The 5-Year Strategic Plan dated March 22, 2014 indicated TPA's strategic objective to "Get Back On Top", affirming its "North American pre-eminence in delivering unsurpassed parking services for Toronto's communities by 2019". TPA indicated it would accomplish this by:

- Offering short stay parkers in the City of Toronto a best in class parking experience – safe, attractive, convenient, and affordable;
- Providing a city-wide network of environmentally sensitive on and off-street community-centric parking locations;

- Applying technology to expand community awareness, enhance customer convenience, and optimize efficiency in operations; and
- Operating at all times in a fiscally responsible way.

TPA’s income-sharing arrangement with the City

***TPA distributed a \$44.3 million dividend to the City in 2014***

In 1998, the City and TPA established an income-sharing arrangement for a three-year period ending December 31, 2000. The arrangement has been continuously renewed, most recently for the 2013 to 2015 period. Generally, with some adjustments for capital transactions, TPA must pay the City a dividend equal to the greater of \$37 million or 75 per cent of its net income for the year. The dividends are used to fund the City’s capital program. In 2014, the dividend paid by TPA was \$44.3 million.

The remaining 25 per cent of TPA’s net income for the year, including any gains from the sale of air rights, are used to fund its capital program. Therefore, TPA generally does not need financing for its joint venture redevelopment projects, acquisitions, and construction activities.

Real property held by the TPA

***Net book value of TPA land, parking garages, and surface car parks is approximately \$124 million***

The following table provides a summary of land, parking garages, and surface car parks as reported in TPA’s 2014 audited financial statements.

	Cost	Accumulated Amortization	Net book value
	\$	\$	\$
Land	68,220,137	-	68,220,137
Parking garages			
40-yr useful life	19,554,453	8,760,819	10,793,634
25-yr useful life	75,944,429	43,489,749	32,454,680
Acquired by finance lease	483,990	483,990	-
Surface car parks	19,725,020	7,221,711	12,503,309
Total	<u>\$183,928,029</u>	<u>\$59,956,269</u>	<u>\$123,971,760</u>

***Real estate development activities led by the TPA***

Real estate development activities under the authority of TPA included:

- Acquisition of properties to create a new car park or expand an existing car park
- Acquisition of garage parking spaces within a proposed residential, non-residential, or mixed-use development
- Acquisition of properties for future redevelopment. Properties not currently used for parking purposes may be leased for residential or other purposes or may be left vacant until development is appropriate
- “Joint venture” redevelopment of existing TPA holdings. Generally, the air rights will be sold to a private developer and a new parking facility constructed as part of a residential, non-residential, or mixed-use building. To avoid the related development risk, TPA does not take an ownership interest in the developer’s proposed residential or mixed-use development.

Participation in the review of City-owned real estate operations

***The City and certain of its other agencies and corporations manage separate real estate portfolios***

The City of Toronto has a number of agencies, corporations and divisions conducting independent real estate activities. In addition to TPA and the City’s Real Estate Services division, Build Toronto, Toronto Port Lands Company, Toronto Transit Commission, Toronto Community Housing Corporation and other agencies manage separate real estate portfolios. This limits the City’s ability to develop a City-wide real estate strategy, explore co-location opportunities, maximize the value of assets, and find efficiencies in operations.

***When Build Toronto was formed it was suggested that the authorities and processes for dealing with TPA lands be reviewed***

To address the need for a centralized approach to land development, City Council approved the creation of Build Toronto in 2008. At the same time, the intent was for the City's Chief Corporate Officer to develop a City-wide real estate strategy, taking a cross-corporate view for

*“the most effective and efficient use of all City and ABC properties to meet the needs of programs. To make this process fully effective, it may be necessary to review the authorities and processes for dealing with lands in other ABCs as well, such as the **Toronto Parking Authority**. Where there is an opportunity to intensify or redevelop such properties in association with the private sector, the properties may be either transferred or turned over to Build Toronto for development purposes.”* [emphasis added]

<http://www.toronto.ca/legdocs/mmis/2008/ex/bgrd/backgroundfile-15926.pdf>

***Build Toronto would have to compensate TPA for transfer of properties at fair market value or higher***

In April 2009, TPA advised the City's Chief Corporate Officer that Build Toronto would be required to compensate the TPA at a defined “minimum value” to acquire jurisdiction of an air rights sale. The “minimum value” was defined as the greater of:

- Fair market value of the existing property as determined by a certified appraiser; or
- The difference between the net present value of the future profits of the facility as a continuing parking operation and the cost of construction and operation of a replacement garage over its lifecycle.

In May 2009, City Council endorsed the *Principles of a Real Estate Strategy*, subject to such exceptions and variations as may be authorized by the City's Chief Corporate Officer in consultation with the Deputy City Manager and Chief Financial Officer. Principle #2 states:

*“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.”*

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX32.5>

***Development of properties were to be in collaboration with Build Toronto***

In March 2010, the City’s Chief Corporate Officer reiterated to TPA that the City’s real estate strategy principles adopted by City Council in 2009 governed the disposal or joint redevelopment of projects involving lands utilized by agencies and corporations, which included TPA. Furthermore,

- Build Toronto was responsible for property development for the City.
- TPA properties utilized as parking facilities, but with potential for redevelopment, will be reviewed by Real Estate Services and Build Toronto for potential Turnover Agreements.
- Any development proposals for TPA properties are to be presented to the City’s Property Management Committee for consideration.
- Development of agency and corporation properties, including private sector joint developments, are to be in collaboration with Build Toronto.

***TPA provided comments to City staff on certain high potential properties***

In February 2011, TPA provided the City’s Chief Corporate Officer with comments on certain TPA parking facilities identified by City staff as being high potential properties. TPA advised that none of the properties were surplus to the needs of the TPA. However, TPA was amenable to discussing the joint venture development of these sites recognizing that their priority in any redevelopment was the replacement of the public parking component.

*Potential for collaboration has been discussed but no transfers have been made*

The City, TPA, and Build Toronto have discussed the potential for collaboration on development of certain TPA properties. However, to date, no TPA properties have been transferred or turned over to Build Toronto for development purposes.

*In May 2015, City Council authorized an in-depth review of all City-owned real estate operations*

At its meeting on May 5, 2015, City Council authorized the City Manager to hire a third-party consultant and to establish an independent advisory panel to provide the City with an objective, in-depth review of all City-owned real estate operations.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX5.5>

*The review is to identify options for coordinating and/or consolidating real estate operations across the City*

The consultant will assist in identifying implementation options for coordinating and/or consolidating real estate operations and/or portfolios across relevant City agencies, corporations and divisions. The real estate activities conducted by TPA will be considered as part of that review. Our understanding is that the reporting of results will occur in the first quarter of 2016.

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## **AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

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*An audit of TPA included in the 2014 Audit Work Plan*

The Auditor General's 2014 Audit Work Plan included an audit of the Toronto Parking Authority. In the 2015 Audit Work Plan, the audit of the Toronto Parking Authority was separated into two phases:

- Phase 1: Audit of Real Estate Activities
- Phase 2: Audit of Off-Street Parking Operations

This report presents the results of Phase 1. Phase 2 results will be presented in a separate report to the Board of Directors.

***Audit Objective***

The objective of the Phase 1 audit was to assess the control framework governing the real estate activities of the Toronto Parking Authority. In particular, we assessed:

- Processes and procedures to ensure transactions achieve value for money and further TPA's mandate
- Adequacy of, and compliance with, policies, procedures, and administrative standards for real estate transactions
- Transparency of reporting to the Board on the transactions.

***Audit Scope***

The audit focused on the acquisition, disposition, and joint venture development of properties during the period from January 1, 2010 through December 31, 2014.

***Audit Methodology***

Our audit methodology included the following:

- Review of the Toronto Municipal Code, Chapter 179, Parking Authority
- Review of staff reports to City Council and Board of Directors and related meeting minutes
- Review of Annual Reports and Audited Financial Statements
- Review of policies and procedures
- Interviews with TPA staff and consultation with staff from the City's Real Estate Services and City Planning divisions
- Review of documents, agreements, and other related records for a sample of transactions
- Analyses of competing offers and financial outcomes of transactions for a sample of transactions
- Evaluation of management controls and practices.

***Compliance with generally accepted government auditing standards***

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



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## AUDIT RESULTS

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### A. ENHANCE ANALYSES OF VALUE CREATION

*Development and planning goals for real estate transactions*

TPA's *Strategic Outlook: Enabling Mobility for the Next 21 Years*, published in September 2011, described "Development and Planning Goals":

- To monitor parking demands, expanding facilities to meet demand in existing areas and providing new facilities in unserved areas.
- To continue to take an entrepreneurial approach to joint ventures, developments and land acquisition.
- To leverage assets through portfolio management for the purpose of pursuing an integrated, balanced parking strategy.

*There are substantial risks associated with acquiring and/or developing off-street parking*

There are substantial risks associated with acquiring and/or developing off-street parking. The *Strategic Outlook* for TPA indicates that:

*"Due to the high upfront capital cost associated with off-street parking, and the fact that it consists mainly of potentially stranded assets, it presents a substantial risk...*

*Garages are a more risky venture because should they underperform, they have a low disposal value whereas with surface lots a large component of their value is recoverable through the raw land value...*

*On the other hand, well designed and located parking garages can be extremely helpful in achieving the TPA's strategic and financial objectives"*

[http://parking.greenp.com/documents/pamphlets/pa\\_00000006.pdf](http://parking.greenp.com/documents/pamphlets/pa_00000006.pdf)

As such, detailed business cases should be prepared in support of these real estate activities. The business cases should clearly demonstrate how each transaction balances the goals of:

- expanding the supply of parking spaces to meet demand;
- profit maximization; and
- managing the inherent risks associated with off-street parking operations.

The following subsections provide further information on where improvements are possible.

### **A.1. Analyses of Parking Supply and Demand to be Formalized and Documented**

*The principal criteria for JV transactions was the provision of public parking to meet area needs*

TPA's Joint Venture Development Guidelines require staff to determine the number of spaces that will be needed for the development. The principal criteria for joint ventures is to ensure public parking is sufficient to meet local area parking requirements. Therefore, TPA should ensure that, wherever possible, any projected parking shortfall in the local area is satisfied.

*Insufficient documentation to evidence analysis of the projected parking requirements*

Staff reports to the Board identified the number of parking spaces to be included in new parking facilities; however, TPA rarely retained sufficient supporting analysis for its determination of the number of parking spaces required.

Management advised that it utilized data from TPA's historical database of parking information to determine the number of parking spaces to be contained in any new parking facility, and for its annual rate review of off-street parking. However, many TPA carparks had highly variable usage levels and the historical data was strongly influenced by such factors as the overall strength of the local economy. Any analysis performed to normalize historical data for economic factors that impacted the data set was not well documented.

*TPA should retain evidence of the steps performed to quantify parking requirements*

TPA should document and retain evidence of the steps performed to quantify the current and prospective short-stay and non-discretionary long-stay parking requirements in the areas of proposed acquisitions and joint ventures. The documentation retained may include:

- the historical data set used to perform utilization analysis and a description of any adjustments to normalize the data
- local area survey results including an inventory of available parking and the related utilization and turnover rates for such parking
- forecasts using statistical data of parking requirements based on current and future expected development in the area.

*Parking studies could be leveraged to verify and refine the extent of parking shortfalls*

Parking studies could be leveraged to verify and refine the extent of parking shortfalls. TPA's current 10-year Capital Plan includes the joint venture redevelopment of a number of existing carparks, as well as, projects to address a number of areas with parking needs. To help prioritize parking projects in the long-term capital plan, a local area parking study may be helpful to verify the extent to which shortfalls in public parking exist. A thorough parking study should be performed where there has or will be a significant change in local area land use.

*TPA may be able to leverage parking studies submitted to City Planning with development applications*

Recognizing that third-party studies can be costly, TPA should leverage, where possible, transportation and parking studies submitted with development applications to City Planning. These studies are required to be prepared by a qualified Transportation Consultant and set out the impact of a proposed development on local area parking.

**Recommendation:**

- 1. The Board of Directors request the Chief Executive Officer to ensure adequate support is retained for projections of local area parking requirements.**

## **A.2. Strengthen Analysis of the Financial Impacts of Transactions**

***Expected rates of return were not always disclosed in staff reports to the Board and City Council***

TPA used the following two different benchmark criteria to assess whether the merits of a real estate transaction had been achieved.

- 1) For joint ventures, the sale transaction (at or above appraised value) must leave TPA better off financially than the returns from the existing parking facility over the long term.
- 2) For acquisitions, the maximum purchase price must be such that TPA can still earn a 5 per cent rate of return on its investment.

TPA used different financial models to assess whether these criteria have been met.

***Assumptions underlying analysis of expected returns was not well documented***

As with all financial models, the results were sensitive to the underlying assumptions used. Management advised that their assumptions were based on market knowledge and experience; however, the basis for these assumptions were not always documented or disclosed.

To fully understand the financial impacts of TPA's joint venture transactions, a more detailed net present value analysis of discounted cash flows may be warranted. These models can be developed by building upon TPA's existing models for determining internal rate of return on an acquisition transactions.

Enhancing existing analyses may help identify opportunities to increase value for TPA and therefore, the City.

***Other uses for discounted cash flow analysis***

Discounted cash flow analyses can be used for:

- Evaluating a real estate opportunity against alternative methods for meeting public parking requirements in the local area;
- Comparing competing developer proposals with significant variations in the timing of cash flows;

- Demonstrating the positive and negative financial impacts of key terms within transaction agreements, such as the impact of:
  - transaction closing date, construction commencement date, and construction completion date on the timing of cash flows
  - monthly rent paid to the developer from closing of the transaction to commencement of construction
  - lost revenue compensation paid by the developer during closure for construction
  - pre-payment vs. post-payment for construction of the parking garage on the timing of cash flows
  - an agreed upon price to be paid to the developer for parking spaces.

The same model can then be updated to reflect the impact of any proposed amendments to the agreement.

***Reports included summaries of the key terms and conditions***

Although reports to the Board included summaries of the key terms and conditions of the transaction agreements, the information presented did not always disclose the financial impacts, both operating and capital, of certain of these key terms. (Examples of such terms are indicated in the list above). It is unlikely that such information would change the overall investment decision. However, this is relevant information for a comprehensive assessment of the financial impacts of the transaction.

**Review the minimum expected rate of return**

***A minimum 5% return was needed to proceed with a transaction***

The expected rates of return on projects were not always disclosed in management's reports to the Board and City Council. Management advised that transactions must, at a minimum, generate a 5 per cent return based on a combination of the interest rate on risk free investments, inflation, and risk. The minimum return of 5 per cent has been used by TPA for well over 10 years.

Management advised that it has been suggested that the rate is too high to be competitive in the current market and, in conjunction with the Board, management will review the minimum expected rate of return.

**Recommendations:**

- 2. The Board of Directors request the Chief Executive Officer to document key assumptions underlying financial analyses. Where assumptions are substantiated by actual results from completed joint ventures and/or comparative data from other parking garages and surface lots, such data be documented and retained.**
- 3. The Board of Directors request the Chief Executive Officer to review the financial models used to assess the financial impacts of transactions and report back to the Board on the framework used to analyze real estate transactions.**
- 4. The Board of Directors request the Chief Executive Officer to expand upon the financial information provided to the Board when recommending the approval of the proposed transaction, as well as any amendments to the transaction agreement. Information provided should include:**
  - a. The expected rate of return and a summary of the financial analysis performed including a description of the basis for any key assumptions.**
  - b. A summary of the financial impact of competing offers before and after discounting offers for risk.**
  - c. The financial and qualitative impacts of adopting key terms in the transaction agreement.**
- 5. The Board of Directors request the Chief Executive Officer, in consultation with the City's Deputy City Manager and Chief Financial Officer, to periodically review the expected minimum return on transactions, to ensure it is reflective of the current economic environment.**

### **A.3. Obtain Independent Appraisals on a Timely Basis**

*Transactions reviewed fell within the general range of appraised market value*

Appraisals set the baseline value for measuring whether a transactions value is fair. All joint venture sales transactions and land purchase transactions reviewed were executed within the appraised market value range for highest and best use.

Appraisals are used to validate that real estate decisions are financially prudent and represent the best value to the TPA and to the City as a whole. The following observations provide further information on potential improvements to TPA's process for obtaining appraisals:

*Select appraisers from a competitively established roster of pre-qualified service providers*

- TPA used the same firm, selected from its roster of six appraisers, to complete the property appraisals for eight out of 10 joint venture transactions in the 2015-2024 Capital Plan that are currently under agreement. TPA used a wider selection of appraisers for property acquisitions.
- The roster of appraisers was not established through a formal pre-qualification procurement process. TPA advised that its appraisers were selected on the basis that the individuals or organizations are highly recognized within the real estate industry in terms of the specialized level of service they each provide. TPA does not use the City's or Build Toronto's rosters of real estate service providers. For example, the City maintains a roster of 14 appraisers established through competitive procurement processes.

#### **Recommendation:**

- 6. The Board of Directors request the Chief Executive Officer to consider obtaining market value appraisals from independent appraisers who are selected from a competitively established roster of pre-qualified service providers and consideration be given to using the City's roster where possible.**

## **B. INCREASE TRANSPARENCY AND ACCOUNTABILITY**

*Transparency is essential for corporate governance and accountability in management decision making*

Transparent reporting to the Board, that is accurate, complete, and timely, is an essential element for corporate governance and promotes accountability in management's decision making related to real estate transactions.

An overview of TPA's joint venture and acquisition processes can be found in **Exhibit 1** of this report.

### **B.1. Enhance Documentation Retained in Support of Developer Selection**

TPA uses a two-step Request for Proposal process to sell the air rights on its existing properties.

*Insufficient documentation was retained to support the evaluation and short-listing of initial proposals*

Third-party brokers are engaged to market TPA sites and to assist management with evaluating and short listing proposals. TPA retained broker reports summarizing marketing activities and bid submissions. However, these summaries did not detail how the short list of potential developers was derived. More specifically, even though certain first round proposals appeared to have greater financial value than some that were shortlisted, TPA did not document their rationale for why these higher value proposals were not invited to submit a second round offer. Management advised that discussions were held with brokers and advisors to evaluate and short list the first round proposals; however, the results of these discussions were not documented. In addition, the justification for the short listing of proponents was not available from the third party brokers.

TPA retained documentation summarizing the broker's and value consultant's analysis of second round offers. These reports were dated after the selection of the developer; however, management advised that the considerations described in the reports were discussed during the selection process.

*A record retention policy does not exist*

TPA does not have a record retention policy. The *City of Toronto Act*, which applies to the TPA, requires the retention of all original records that are not subject to a retention policy.



**Recommendations:**

- 7. The Board of Directors request the Chief Executive Officer to retain the quantitative and qualitative evaluation of offers and document the basis for management’s decision to short list proponents.**
- 8. The Board of Directors request the Chief Executive Officer, in consultation with the City Clerk, to recommend and implement a record retention policy to ensure compliance with the City of Toronto Act, 2006.**

**B.2. Reports to the Board Need to be More Timely and Comprehensive**

*The Board typically received reports prior to marketing the site and upon management’s recommendation to approve the sale*

The Board of Directors’ ability to exercise prudent oversight is dependent on the quality and timeliness of management reports. Example timelines for the presentation of reports to the Board on joint venture and acquisition transactions are included in **Exhibit 2** and **Exhibit 3** to this report.

Management typically reported to the Board when seeking authority to market the TPA site for redevelopment and when recommending approval of the transaction. In general, staff reports to the Board recommending approval of the joint venture sale of properties provided an overview of the process for selecting the recommended developer. In particular,

*Qualitative and quantitative considerations impacting the shortlisting of offers were not reported*

- The reports identified the number of submitted first round proposals which were short-listed for the second round bid process. However, the qualitative and quantitative considerations impacting management’s decision on which proposals to short list were not reported to the Board.

*A summary of the analysis of second round offers was provided*

- The reports also attached a “Financial Summary of Proposals” excerpted from reports prepared by TPA’s Value Consultant. The summary compared the nominal value of competing second round offers (without taking into account timing of cash flows). The offers were then discounted based on risks associated with the qualitative considerations. The discounting reflected TPA’s preference for a greater amount of certainty and a lower level of risk.

*More than a year may pass between reports to the Board*

TPA staff generally report to the Board first on the marketing of a site for redevelopment and again when recommending approval of the transaction. The time between reports can be a year and a half or more.

*No interim reports were submitted for Board information*

The Board was provided with periodic reports including high level updates on various projects of the Real Estate and Development group. However, for specific real estate transactions, no interim reports were submitted for Board information when potential developers were short-listed or direct negotiations were entered into with a single proponent.

*Status updates were provided to the Real Estate Advisory Committee*

In March 2012, the Board approved the establishment of the Real Estate, Development and Business Opportunities Advisory Committee. The role of this committee was to meet with TPA staff on a regular basis to review and discuss ongoing and potential real estate initiatives. Based on meeting materials provided for our review, it appears this Board committee met twice in 2012, once in 2013, and once in 2014.

#### **Recommendations:**

- 9. The Board of Directors request the Chief Executive Officer to ensure that, for all property transactions, reports recommending the short listing or selection of developers include a description of how the evaluation results of each submission received impacted the overall short listing of proponents.**

10. **The Board of Directors request the Chief Executive Officer to report periodically to the Real Estate, Development and Business Opportunities Advisory Committee with updates on the status of in-process real estate transactions. Such updates to include reporting on the selection of, or the initiation of direct negotiations with, a potential purchaser and/or development partner.**

## **C. IMPROVE COORDINATION CITY WIDE**

*The real estate activities of the TPA are generally conducted at arms-length from the City*

The activities of the TPA are generally conducted at arms-length from the City's real estate operations with limited alignment between their respective responsibilities, accountability and authority. Opportunities exist to improve cooperation and collaboration for the overall benefit of the City, while still respecting TPA's mandate to meet demand for affordable, short-stay parking.

*The City, Build Toronto, and TPA all have separate real estate portfolios*

The City of Toronto has a number of agencies, corporations and divisions conducting independent real estate activities. For example, TPA, the City's Real Estate Services division, and Build Toronto all have separate real estate portfolios.

*A cross-corporate view is necessary to ensure the effective and efficient use of all City property*

Each of their respective operations include managing, acquiring, selling, and/or developing the properties within their portfolios. The primary purpose of TPA real estate activities is to expand facilities to meet parking demand in existing areas and to provide new facilities in unserved areas.

Regardless of which organization has responsibility for a portion of the overall real estate assets of the City, a cross-corporate view is necessary to ensure the most effective and efficient use of all City property.

***Properties were circulated after agreements to sell the land were already executed***

TPA's 2015-2024 Capital Plan includes 12 joint venture redevelopment projects. To ensure best use is made of City properties, Council has approved a process, referred to as "circulation", requiring that notification be given to appropriate City divisions, agencies and corporations when a property is fully or partially surplus to current or planned needs. Formal circulations have been made to ascertain whether there is any municipal interest that could be accommodated for nine of the 12 properties included in TPA's Capital Plan. Six of the nine circulations were made after conditional agreements of purchase and sale were already executed.

***Circulating properties before a site is marketed may prevent a missed opportunity to accommodate other municipal interests in the development***

Formally circulating properties after agreements have been executed, may preclude or deter other City agencies, corporations, and divisions from putting forward business cases for the development to accommodate other City interests, such as affordable housing, parks, and community uses.

Management has advised that increasingly TPA is meeting with the local ward councillors as well as senior planning staff so that their requirements can be incorporated into marketing documents. Even so, the circulation process should be initiated prior to marketing a joint venture redevelopment project. However, in order for the advanced circulation process to be effective, business cases requesting that the project accommodate other City interests must be brought forward for consideration in a timely manner. In turn, these requests must be resolved in an efficient manner to not unduly delay TPA from marketing the project.

***There should be more collaboration between TPA, Build Toronto and the City's Real Estate Services***

TPA should consider transferring or turning over land to Build Toronto to leverage their development resources. Conditions can be included in turnover agreements to ensure Build Toronto led developments of TPA land meet current and future public parking needs of the local area. To date, Build Toronto has not been involved with any of the TPA transactions.

Similarly, where Build Toronto is the lead on the development of City properties, efforts should be made to accommodate public parking requirements in the project. Although requests have been made, to date TPA has not been successful in getting public parking requirements included in Build Toronto's transactions.

TPA, Build Toronto, and the City's Real Estate Services division should be proactive in collaborating with each other to form a coordinated strategy for unlocking the value in under-utilized lands.

***The City Manager is identifying options for coordinating and/or consolidating real estate operations***

Recognizing the need for improved collaboration between the City and its agencies and corporations, City Council on May 5, 2015, adopted a recommendation directing the City Manager to

*“develop a business case and identify implementation options for coordinating and/or consolidating real estate operations and/or portfolios across relevant City agencies, corporations and divisions, and to report to Executive Committee on the results of the findings in early fourth quarter of 2015.”*

It is our understanding that the requested report will be available in the first quarter of 2016.

Improve process for TPA's use of the Chief Corporate Officer's delegated authority to approve real estate matters

***City Council delegated authority to approve certain real estate matters to the City's Chief Corporate Officer***

On July 19, 2007, City Council delegated authority to the Chief Corporate Officer to declare land surplus and approve the intended manner of disposition. On May 12, 2010, City Council delegated the approving and signing authorities in various other real estate matters up to \$10 million to senior City staff, where funding is available in an approved budget.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.7>

***A protocol for cooperation is needed to address concerns raised by both TPA and the City's Real Estate Services division***

Management advised that the TPA does not always use the current delegated approval process. TPA mainly used this process to obtain the City's approval of its acquisitions of property. Both the TPA and the City's Real Estate Services division advised of certain areas of concern impacting the effectiveness and efficiency by which the delegated authority could be utilized.

TPA and the City's Real Estate Services division should establish and document a protocol for cooperation to address these issues, so that TPA can take advantage of the Council-approved delegated authority process.

***TPA should adopt a formal acquisition policy consistent with the City's requirements***

TPA does not have a formal policy which sets out the expected processes when acquiring real property including constructed parking facilities. However, TPA provided the Board's Real Estate, Development, and Business Opportunities Advisory Committee with an overview of its existing practices for acquisitions of property in November 2012. This overview can be found in **Exhibit 1** of this report. Any acquisition policy or procedures TPA adopts should be consistent with the City's requirements.

**Recommendations:**

- 11. The Board of Directors request the Chief Executive Officer to ensure that, prior to marketing projects, the circulation process be initiated to ascertain if there is any municipal interest that could potentially be accommodated in the project.**
- 12. City Council request the City's Chief Corporate Officer, and the Board of Directors request the Chief Executive Officer, to resolve issues to ensure the Chief Corporate Officer's delegated authority for real estate matters can be used effectively by the Toronto Parking Authority.**
- 13. The Board of Directors request the Chief Executive Officer to formalize its policy for real property acquisitions.**

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## CONCLUSION

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This report presents the results of our review of TPA real estate activities.

This report contains 13 recommendations to strengthen the control framework governing TPA's real estate activities. In our view, the implementation of the recommendations contained in this report will:

- Enhance the analysis needed to demonstrate that TPA is maximizing the value generated from its transactions.
- Increase transparency and accountability of management's decision making process and support the Board's ability to fulfil its role in overseeing and monitoring management.
- Improve cross-corporate collaboration to obtain the best value from the City's real estate assets.

**Overview of TPA Processes for Real Estate Transactions**

Management provided the Board's Real Estate, Development, and Business Opportunities Advisory Committee with the following overview of the processes for acquisitions and for joint venture development in November 2012:

**Selecting Properties for Acquisition**

1. Identify areas of parking need and identify potential properties
  - properties must be efficient in terms of size
  - prefer vacant land or 1 to 2 storey commercial, single family homes
  - look for properties with redevelopment potential
2. Sourcing properties
  - network with various real estate brokers
  - directly approach prospective property owners
3. Prepare purchase and sale agreement
  - determine price
  - establish due diligence timing (usually 60 to 90 days) and conditions
  - property review – environmental, potential parking layout, financial analysis, zoning issues, research title, outstanding work orders, etc.
  - Board and City Council approval

**Joint Venture Development Process**

- prepare financial analysis
- retain an appraiser
- retain real estate broker through a request for proposals
- list property – sales package should include property information and basis business terms of proposed joint venture
- short list developers / bidders and provide standard purchase and sale agreement
- evaluate proposals – price, conditions, parking design, proposed development, financial capability
- execute purchase and sale agreement – purchaser commences due diligence process
- upon purchaser waiving conditions, TPA obtains both board and City Council approval
- property must go through declaration of surplus property prior to obtaining City Council approval of sale



**Example Timelines for Completing Joint Venture Transaction Processes**

The example timelines for completing joint ventures transaction processes, as summarized in the table that follows, demonstrate:

- a) ***Timing of management reporting*** (Refer to **section B.2** of the Audit Results)
  - In the transactions we reviewed, 15 to 18 months passed between reports to the Board seeking authority to market the TPA site for redevelopment and recommending approval of the transaction.
  - No interim reports were submitted for Board information when potential developers were short-listed or direct negotiations were entered into with a single proponent.
  - In the absence of timely reporting, it is difficult for the Board of Directors to exercise prudent oversight of management decision making.
  
- b) ***Timing of circulations*** (Refer to **section C.1** of the Audit Results)
  - In 2 out of 3 venture transactions, circulation to other City divisions, agencies, or corporations to determine if there are other pressing needs for the property occurred after conditional agreements were already executed. Many of these circulations occurred approximately 10 months after agreements were executed.
  - Formally circulating properties after agreements have been executed, may preclude or deter other City agencies, corporations and divisions from putting forward business cases for the development to accommodate other City interests, such as affordable housing, parks, community uses.
  - The circulation process should be initiated prior to marketing projects.

	<b>30 Roehampton</b>	<b>50 Cumberland</b>	<b>15 Wellesley E</b>
<i>(a) Board approval of the marketing of the site and recommended broker</i>	Jul 22, 2008	Jun 15, 2010	Jan 25, 2012
<i>(b) Circulation to other City divisions, agencies, or corporations to determine if there are other pressing needs for the property</i>	Oct 10, 2008	Aug 16, 2011	Aug 6, 2013
Report date of appraisal <i>(effective date of appraisal)</i>	Dec 23, 2009 <i>(Nov 1, 2009)</i>	Sep 14, 2011 <i>(Aug 1, 2011)</i>	Jul 25, 2013 <i>(Jul 1, 2013)</i>
Direct negotiations with a single proponent	Oct 30, 2009	Oct 20, 2010	Jul 3, 2012
Conditional agreement of purchase and sale executed	Nov 27, 2009	Oct 22, 2010 <i>(Subsequently terminated, mutual release dated Feb 14, 2011)</i>	Sep 19, 2012
		Feb 22, 2011 <i>(Execution of APS with newly selected developer)</i>	
<i>(a) Board approval of sale</i>	Jan 25, 2010	Nov 22, 2011	Jun 24, 2013
Declaration of surplus by City Council	Jun 8, 2010	Oct 3, 2011	<i>Not yet declared surplus</i>
Approval of sale by City Council	Aug 25, 2010	Mar 5, 2012	<i>Not yet declared surplus</i>

**EXHIBIT 3**

**Example Timelines for Completing Acquisitions of Properties**

The example timelines for completing acquisition transaction processes, as summarized in the table that follows, demonstrate:

- a) **Timing of approval under delegated authority** (Refer to **section C.1** of the Audit Results)
- Management advised that the TPA does not always use the current delegated approval process, whereby City Council delegated approving and signing authorities in various other real estate matters to senior City staff.
  - Both the TPA and the City’s Real Estate Services division advised of certain areas of concern impacting the effectiveness and efficiency by which the delegated authority could be utilized.

	<b>2-6 Lisgar</b> <i>(acquisition of constructed garage parking spaces)</i>	<b>213 Roe</b> <i>(expansion of existing surface car park / land banking)</i>
Non-binding Letter of Intent	Sep 13, 2010	N/A
Board approval to negotiate	Sep 20, 2010	N/A
Conditional agreement of purchase and sale executed	Oct 11, 2011	Sep 19, 2012
Board approval of acquisition	Nov 22, 2011	Oct 23, 2012
<b><i>(a) City’s Real Estate Services Division notified of transaction</i></b>	Mar 5, 2012	Nov 14, 2012
Report date of appraisal <i>(effective date of appraisal)</i>	No appraisal obtained. <i>Cost consultant estimate of cost to construct parking spaces, Apr 16, 2012</i>	Nov 19, 2012 <i>(Effective Date: November 13, 2012)</i>
<b><i>(a) Approval of acquisition via delegated authority</i></b>	May 14, 2012	Jan 15, 2013

**Management's Response to the Auditor General's Review of  
Toronto Parking Authority – Phase 1: Audit of Real Estate Activities**

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
1.	<b>The Board of Directors request the Chief Executive Officer to ensure adequate support is retained for projections of local area parking requirements.</b>	X			Staff are reviewing retention procedures to ensure that sufficient documentation is retained.
2.	<b>The Board of Directors request the Chief Executive Officer to document key assumptions underlying financial analyses. Where assumptions are substantiated by actual results from completed joint ventures and/or comparative data from other parking garages and surface lots, such data be documented and retained.</b>	X			Staff will include written documentation of assumptions employed. Where possible, the rationale and/or validation of assumptions will be included. This initiative is currently underway.
3.	<b>The Board of Directors request the Chief Executive Officer to review the financial models used to assess the financial impacts of transactions and report back to the Board on the framework used to analyze real estate transactions.</b>	X			Staff will periodically review and confirm general financial assumptions used in the preparation of proformas and other financial analyses. This review will be completed and presented annually at the Board's Real Estate, Development, and Business Opportunities Advisory Committee.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
4.	<p><b>The Board of Directors request the Chief Executive Officer to expand upon the financial information provided to the Board when recommending the approval of the proposed transaction, as well as any amendments to the transaction agreement. Information provided should include:</b></p> <p><b>a. The expected rate of return and a summary of the financial analysis performed including a description of the basis for any key assumptions.</b></p> <p><b>b. A summary of the financial impact of competing offers before and after discounting offers for risk.</b></p> <p><b>c. The financial and qualitative impacts of adopting key terms in the transaction agreement.</b></p>	X			<p>For new joint venture transactions, Staff will ensure that sufficient information, prepared by both Staff and Independent Consultants, is presented to the Board to assist them with their decision making process. Particular emphasis will be placed on identifying assumptions that impact projected financial returns and other qualitative factors that could impact the investment decision.</p> <p>For acquisitions, Staff will develop a template to assist with standardizing reporting to the Board to:</p> <ul style="list-style-type: none"> <li>i. Assist the Board with their review;</li> <li>ii. Ensure all relevant information is included;</li> <li>iii. Provide easier comparison of transactions, as needed.</li> </ul> <p>These initiatives will be implemented immediately.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
5.	<b>The Board of Directors request the Chief Executive Officer, in consultation with the City's Deputy City Manager and Chief Financial Officer, to periodically review the expected minimum return on transactions, to ensure it is reflective of the current economic environment.</b>	X			The Chief Executive Officer, in consultation with the Real Estate, Development, and Business Opportunities Advisory Committee, will implement a periodic review of the minimum return on transactions and will seek input and provide conclusions to the City's Deputy City Manager and Chief Financial Officer, as required. Staff suggests this review occur every two (2) years.
6.	<b>The Board of Directors request the Chief Executive Officer to consider obtaining market value appraisals from independent appraisers who are selected from a competitively established roster of pre-qualified service providers and consideration be given to using the City's roster where possible.</b>	X			Staff will review the City's roster of appraisal firms to determine what firms can be added to TPA's roster. Staff will also consider expanding our roster of six (6) firms and rotating their use more frequently, when possible.
7.	<b>The Board of Directors request the Chief Executive Officer to retain the quantitative and qualitative evaluation of offers and document the basis for management's decision to short list proponents.</b>	X			Staff are preparing a "Transaction Checklist" which will include documentation of the short-list bid process for Joint Venture transactions.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
8.	<b>The Board of Directors request the Chief Executive Officer, in consultation with the City Clerk, to recommend and implement a record retention policy to ensure compliance with the City of Toronto Act, 2006.</b>	X			Staff have initiated a review of record retention policy requirements and will reach out to the City Clerk within the next six (6) months and prior to enacting same.
9.	<b>The Board of Directors request the Chief Executive Officer to ensure that, for all property transactions, reports recommending the short listing or selection of developers include a description of how the evaluation results of each submission received impacted the overall short listing of proponents.</b>	X			As per recommendation 7 above, the Chief Executive Officer will ensure that relevant information relating to the selection of developers and the impact of the results from each short listed bid submission is reported to the Board going forward.
10.	<b>The Board of Directors request the Chief Executive Officer to report periodically to the Real Estate, Development and Business Opportunities Advisory Committee with updates on the status of in-process real estate transactions. Such updates to include reporting on the selection of, or the initiation of direct negotiations with, a potential purchaser and/or development partner.</b>	X			The Chief Executive Officer has already implemented this policy. At TPA's Real Estate, Development and Business Opportunities Advisory Committee on October 8, 2015, status updates on over 100 potential real estate transactions were provided. Further, the Committee decided to meet quarterly (or more frequently if necessary) to ensure timely disclosure of information.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
11.	<b>The Board of Directors request the Chief Executive Officer to ensure that, prior to marketing projects, the circulation process be initiated to ascertain if there is any municipal interest that could potentially be accommodated in the project.</b>	X			Staff continue to enhance the process through the Councillor's office to gauge interest. Staff will undertake to formalize this process, particularly working with City departments who would likely have an interest. For recent projects, such as 22 John Street, TPA staff worked closely with City departments to better understand their needs prior to marketing the project to more effectively develop its strategic positioning. TPA staff will continue these efforts on other joint venture projects going forward.



Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
12.	<p><b>City Council request the City's Chief Corporate Officer, and the Board of Directors request the Chief Executive Officer, to resolve issues to ensure the Chief Corporate Officer's delegated authority for real estate matters can be used effectively by the Toronto Parking Authority.</b></p>	X		<p><u>Comments from Chief Corporate Officer:</u> The delegated authority can be used by TPA today.</p>	<p><u>Comments from TPA:</u> TPA's Chief Executive Officer undertakes to engage discussions with appropriate City officials over the next six (6) months to address improvements to the delegated approvals process in terms of timeliness, efficiency and effectiveness in addressing TPA needs.</p> <p><u>Comments from Chief Corporate Officer:</u> Real Estate Services will await the recommendations and action plan from the Consolidated City-Wide Real Estate Framework (EX5.5). At that time, appropriate protocols of process and approval authorities should be documented and acted upon with the intent to optimize City owned lands.</p>
13.	<p><b>The Board of Directors request the Chief Executive Officer to formalize its policy for real property acquisitions.</b></p>	X			<p>The Chief Executive Officer undertakes to formalize TPA's policy for real property acquisitions over the next year.</p>