



STAFF REPORT ACTION REQUIRED

Consolidated City-Wide Real Estate Framework

Date:	April 10, 2015
To:	Executive Committee
From:	City Manager
Wards:	All
Reference Number:	P:\2015\Internal Services\RE\Ec15016re (AFS#21029)

SUMMARY

Recent studies commissioned under the City's Service Review Program, including efficiency studies by KPMG LLP, and the Auditor General's review of Build Toronto suggest a number of opportunities exist to improve real estate coordination across City agencies, corporations and divisions. Various real estate activities are currently conducted by Real Estate Services and other City divisions, and by agencies and corporations such as Build Toronto, Toronto Port Lands Company, Toronto Parking Authority, Toronto Transit Commission, Toronto Community Housing Corporation and other agencies. Currently, these entities manage their real estate portfolios separately, which 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. As a result, a comprehensive plan to centralize or coordinate all City-owned real estate operations is required.

Retaining a third party consultant, combined with an independent advisory panel, will provide the City with an objective, in-depth review of all City-owned real estate operations. The consultant and advisory panel will provide an immediate implementation plan based on their assessment of best practices in real estate management and review of recommendations made by the Auditor General and KPMG LLP. The recommendations and action plan will be included in a report to City Council from the City Manager in early Q4 2015. It is expected that the results of this study will lead to long-term efficiencies and savings for the City of Toronto in 2016 and beyond.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council direct 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 Q4 2015; and,
2. City Council direct the City Manager to hire a third party consultant to assist in the review of real estate operations conducted by City agencies, corporations and divisions, evaluate recommendations made by KPMG LLP and the Auditor General, and to recommend an immediate implementation plan for coordination and/or consolidation; and,
3. City Council direct the City Manager to establish an expert advisory panel to review the options provided by the third party consultant and to incorporate the panel's input in the report to Executive Committee in Q4 2015; and,
4. City Council authorize the City Manager to include the relevant agencies and corporations in the real estate review and instruct them to participate in the review process and to provide information as required; and,
5. City Council authorize an one-time increase of \$200,000 gross and \$0 net to the 2015 Approved Operating Budget for Facilities, Real Estate, Environment & Energy with funding provided from the Innovation Reserve Fund (XR1713) for the hiring of a third party consultant.

Financial Impact

Retaining a third party consultant is estimated to cost up to \$200,000, subject to RFP responses.

Upon Council approval of the initiative, the 2015 Approved Operating Budget for Facilities, Real Estate, Environment & Energy will be increased one-time in the amount of \$200,000 gross and \$0 net, funded by the Innovation Reserve Fund (XR1713).

Efficiency savings are indeterminate at this stage until the consolidation framework of City-wide real estate activities is fully implemented and executed. However, it is anticipated that the consolidation would reduce overhead costs with a targeted savings of 10% to 20%. In addition, rationalization of real estate services will improve coordination

and centralize subject matter experts. Real Estate Services and Financial Planning Division will analyze the performance of the consolidation framework and identify sustainable savings and/or additional revenues that are realized in future Budget submissions.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

Studies commissioned under the City's Service Review Program identified a number of opportunities to improve real estate coordination across the City, including consolidating leasing activities, centralizing property information for City-wide portfolio management, and consolidating vendor contracts (i.e. brokers and appraisers). Two reports by KPMG LLP included particularly relevant recommendations: the *"Service Efficiency Studies of Cross-Corporate Functions - Facilities Management and Real Estate"* and *"Service Efficiency Studies of City Agencies - Shared Services Review"*:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=bf676056e60c3410VgnVCM10000071d60f89RCRD&vgnnextchannel=2ba485a6820c3410VgnVCM10000071d60f89RCRD>

At its meeting on March 31, 2015, City Council adopted a report from the Auditor General titled "Operational Review of Build Toronto Inc." The report included a number of recommendations to improve real estate coordination City-wide, including centralizing or coordinating development activities, and exploring opportunities to consolidate or coordinate operations between Build Toronto, Invest Toronto and Toronto Port Lands Company. City Council also adopted a recommendation to review alternative operating models for Build Toronto's functions. The report can be found through the following hyperlink:

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

ISSUE BACKGROUND

The City of Toronto currently has a number of agencies, corporations and divisions conducting independent real estate activities. These activities support municipal requirements (i.e. leasing/licensing, sales, acquisitions, and capital projects to support City program needs), or investment related real estate (i.e. transactions focused on revenue generation and other city building objectives, such as joint ventures for private property development). Areas conducting independent real estate management include, but are not limited to:

- Real Estate Services (RES)
- Build Toronto (BT)
- Toronto Port Lands Company (TPLC)
- Toronto Community Housing Corporation (TCHC)
- Toronto Parking Authority (TPA)
- Toronto Hydro
- Exhibition Place
- Toronto Transit Commission (TTC)
- Toronto Public Library (TPL)

An overview of real estate functions within these areas is included in Appendix A.

COMMENTS

The third party consultant will have specialized knowledge in real estate and portfolio management, with experience in public and private real estate service delivery. The consultant will review the nature of real estate work conducted by agencies, corporations and divisions, assess the recommendations made under the Service Review Program and by the Auditor General, evaluate best practices in other governments, and measure the costs and benefits of alternative real estate frameworks. The consultant will also recommend an immediate implementation plan for real estate coordination and/or consolidation (including cost and timing).

A consolidated City-wide real estate framework will create value for the City in a number of areas, including:

- **Optimizing City-Owned Lands and Properties** – bringing forward development opportunities from all agencies and corporations portfolios and identifying synergies for sharing land, buildings and leased facilities.
- **Centralizing Real Estate Inventory** – establishing one reference point for City Council to identify all real estate assets under its control and enable City-wide strategic planning.
- **Creating Organizational Efficiencies** – reducing duplication of functions, vendor contracts, office space requirements and systems management.
- **Developing Areas of Expertise** – providing consistent expertise and oversight for all City assets and implementing best practices in key areas.

Retaining a third party consultant, combined with an independent advisory panel, will provide the City with an objective, in-depth review of all City-owned real estate operations and furthers a number of recommendations made by the Auditor General and KPMG LLP. It is expected that the results of this study will lead to significant long-term efficiencies and savings for the City of Toronto.

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SIGNATURE

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APPENDIX A

Overview of Current Real Estate Functions within Agencies, Corporations and Divisions

Agencies, Corporations and Divisions	Appraisals	Acquisitions	Leasing	Sales	Portfolio Management ^[1]	Commercial Development ^[2]
Build Toronto (BT)	BT	BT	BT	BT	BT	BT
Toronto Port Lands Corporation (TPLC)	TPLC	TPLC	TPLC	TPLC	TPLC	TPLC
Toronto Community Housing Corporation (TCHC)	TCHC	TCHC	TCHC	TCHC	TCHC	TCHC
Toronto Hydro (TH)	TH	TH	TH	TH	TH	TH
Waterfront Toronto (WT)	WT	WT	WT	WT	WT	WT
Exhibition Place (Ex)	RES	RES	Ex	Ex	Ex	Ex
Toronto Transit Commission (TTC)	RES	RES	TTC	RES	TTC	-
Toronto Public Library (TPL)	RES	RES	RES*	RES	TPL	-
Toronto Parking Authority (TPA)	TPA	RES	RES*	RES	TPA	TPA
Toronto Zoo	RES	RES	RES*	RES	ZOO	-
Parks, Forestry and Recreation (PF&R)	RES	RES	RES*	RES	RES	-
Shelter Support and Housing (SSHA)	RES	RES	RES*	RES	RES	-
Long-Term Care Homes and Services (LTCHS)	RES	RES	RES*	RES	RES	-
City Divisions (CD)	RES	RES	RES	RES	RES	-

*Does not include minor retail/concession or program leases (i.e. short-term, less than 5 years) – performed by respective Divisions

[1] **Portfolio Management** includes collection of property/transaction data, database management and decision-making for property uses

[2] **Commercial Development** includes development of commercial type assets, including retail, office, industrial or residential

= Currently centralized with Real Estate Services (RES)