



## REPORT FOR ACTION WITH CONFIDENTIAL ATTACHMENT

# Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2

**Date:** June 22, 2017  
**To:** Audit Committee  
**From:** Auditor General  
**Wards:** All

### REASON FOR CONFIDENTIAL INFORMATION

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This report is about a proposed or pending land acquisition by the City or one of its agencies or corporations.

This report deals with personal matters about an identifiable person.

### SUMMARY

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The Auditor General was contacted and requested to review a pending property acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority (TPA).

A report was issued in October 2016 entitled "Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority" that focused on one aspect of this acquisition. That was Part 1 of the Auditor General's review.

The Auditor General has now completed Part 2 of her review of this transaction and has submitted a second report to the Board of Directors of the Toronto Parking Authority that focused on the remaining aspects of this acquisition.

### RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council request the Toronto Parking Authority to implement the Auditor General's recommendations contained in the report (June 22, 2017) from the Auditor General to the Toronto Parking Authority Board of Directors.

2. City Council direct that the confidential information contained in Confidential Attachment 1 to the report (June 22, 2017) from the Auditor General remain confidential in its entirety as it is about a proposed or pending land acquisition by the City or one of its agencies or corporations, and that report deals with personal matters about an identifiable person, until such time that the City Solicitor is, in her sole discretion, of the opinion that all or a portion of the information may be released.
3. City Council request the City Manager and the City Clerk to review and report, as part of the implementation of the Agency governance review, on whether the Toronto Parking Authority Board of Directors should be increased by two Directors.
4. City Council request the City Clerk to review the qualifications for City Agencies and consider whether to recommend to the Executive Committee whether at least one board member on each Agency board should hold a Director's designation qualification.
5. City Council request the City Manager, in consultation with the City Clerk and the City Solicitor, to update as necessary guidelines and training for Agency boards based on the findings in this report.
6. City Council appoint the City Clerk as secretary to provide meeting management support to the Toronto Parking Authority Board of Directors, such services to be provided at the Toronto Parking Authority's expense in accordance with a service agreement to be mutually agreed upon by the Toronto Parking Authority Board and the City Clerk.

## **FINANCIAL IMPACT**

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The financial impact, if any, is not determinable at this time.

## **DECISION HISTORY**

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At its meeting of March 31, 2016, City Council adopted a report entitled "Allocation of the Public Realm Amount – Finch West LRT" including the following recommendation:

*"5. City Council authorize and direct the Toronto Parking Authority, in support of the Public Realm Amount strategy set out in this report, to acquire a property located at the southeast corner of Finch Avenue West and Arrow Road (near Highway 400) for municipal parking and ancillary uses including proposed Bike Share Toronto infrastructure, and to permit construction of a possible gateway feature for the Emery Village Business Improvement Area. Acquisition will be on terms and conditions to be negotiated by the President, Toronto Parking Authority, at fair market value plus associated costs such as land transfer tax, title insurance and other fees, and approved by the Toronto Parking Authority Board. The City Solicitor is authorized to complete the purchase transaction, deliver any notices, pay any expenses and amend the closing and other dates, on such terms and conditions as the City Solicitor may determine."*

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX13.9>

At its meeting of October 28, 2016, the Audit Committee adopted a report with amendments entitled “Auditor General’s Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority”. This report was adopted with amendments by City Council on November 8, 2016.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU7.14>

## **BACKGROUND INFORMATION**

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### **Prior Audit of TPA Real Estate Process**

During 2015, the Auditor General conducted an audit of Toronto Parking Authority’s (TPA) real estate practices. The audit focused on the acquisition, disposition, and joint venture development of properties during the period from January 1, 2010 through December 31, 2014. On October 22, 2015, the Auditor General presented the results of the audit of TPA real estate activities to the Board.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.11>

The Auditor General reported that while the City was receiving value, there were areas that could be strengthened to ensure both TPA and the City as a whole are achieving maximum value. The Auditor General made recommendations to:

- 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 Auditor General identified that TPA does not have a formal policy which sets out the expected processes when acquiring real property including constructed parking facilities; however it does have a policy that was presented to the Real Estate Subcommittee of the Board dated November 2012. Furthermore, the Auditor General expressed concerns about TPA’s documentation and made findings regarding the importance of providing better reporting information to the Board. The Auditor General emphasized that reports to the Board need to be more timely and comprehensive. TPA has now implemented quarterly Real Estate Committee meetings as per Recommendation #10 of the 2015 report.

For all acquisition and joint venture transactions reviewed during the audit, appraisals were obtained after the conditional agreement of purchase and sale had been executed but prior to the final approval of the transaction by the Board. Again, providing timely and comprehensive information to the Board was an issue.

On September 1, 2016, the Auditor General received a request to review a pending property acquisition at Finch Avenue West and Arrow Road by the TPA.

As a result of this request, the Auditor General issued a report dated October 24, 2016 on Part 1 of her review.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.AU7.14>

## COMMENTS

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The Auditor General's report submitted to the Board of Directors of the Toronto Parking Authority, entitled "Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2" is attached as Attachment 1.

Additional information relating to the Auditor General's observations contained in a confidential report was also submitted to the Board of Directors of the Toronto Parking Authority, and is attached to this report as Confidential Attachment 1.

The City Manager has been consulted on the recommendations in this report.

Toronto Parking Authority management has been consulted on the recommendations contained in this report to the Audit Committee. TPA management has advised that they agree with all the recommendations in this report, except for recommendations 3 and 6 because more consultation is necessary.

## CONTACT

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## SIGNATURE

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Beverly Romeo-Beehler  
Auditor General

## ATTACHMENTS

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Attachment 1: Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2 (report dated June 22, 2017 to the Board of Directors of the Toronto Parking Authority)

Attachment 2: Scope of the review of the Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2

Confidential Attachment 1 - Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority - Part 2